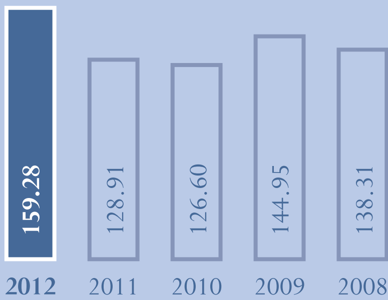
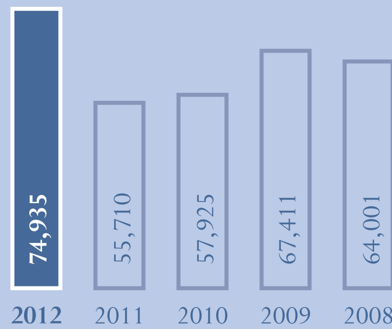
ROGERS SUGAR INC.

Annual Report 2012

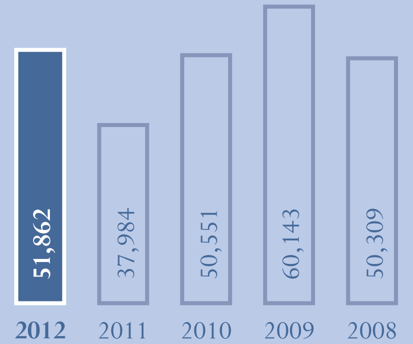
ADJUSTED GROSS MARGIN RATE[2]
(per metric tonne)



ADJUSTED EBIT[2]



FREE CASH FLOW



Rogers Sugar Inc. (TSX: RSI) a Canadian corporation, holds all the common shares of Lantic Inc., which operates cane sugar refineries in Montreal, Quebec and Vancouver, British Columbia as well as the only Canadian sugar beet processing facility in Taber, Alberta.

On January 1, 2011, the Company completed the conversion from an income trust to a corporation. Each unit of Rogers Sugar Income Fund was exchanged on a one-for-one basis for common shares of Rogers Sugar Inc.

The company's products are marketed under the "Lantic" trademark in Eastern Canada, the "Rogers" trademark in Western Canada and all include granulated, icing, cube, yellow and brown sugars, as well as specialty sugars.

www.rogerssugar.com

FINANCIAL HIGHLIGHTS

(in thousands except for volume, adjusted gross margin rate and per share data)	**2012 IFRS**	2011 IFRS	2010 GAAP	2009 [1] GAAP	2008 GAAP
OPERATING RESULTS					
Volume (in metric tonnes)	**641,573**	649,078	682,149	700,582	693,130
Adjusted gross margin [2]	**102,192**	83,675	86,360	101,548	95,866
Adjusted gross margin rate [2] (per metric tonne)	**159.28**	128.91	126.60	144.95	138.31
Adjusted EBIT [2]	**74,935**	55,710	57,925	67,411	64,001
Adjusted finance costs [2]	**11,814**	12,434	14,176	13,328	14,279
Adjusted net earnings [2]	**47,025**	35,202	44,711	51,299	49,781
Free cash flow	**51,862**	37,984	50,551	60,143	50,309
FINANCIAL POSITION					
Cash and cash equivalents	**27,895**	25,326	38,781	5,367	5,757
Working capital	**40,728** [3]	111,524	98,492	88,845	93,428
Total assets	**594,067**	615,082	584,805	574,371	579,040
Total debt	**165,103**	195,358	200,862	201,387	223,503
PER SHARE DATA [4]					
Total number of shares at year-end	**94,090,760**	88,842,333	87,534,113	87,327,887	87,552,987
Weighted average number of shares	**92,965,945**	88,291,122	87,363,848	87,425,836	87,769,735
Adjusted net earnings per share [2]	**0.50**	0.40	0.51	0.59	0.57
Free cash flow per share	**0.558**	0.430	0.579	0.688	0.573
Dividend per share [5]	**0.350**	0.370	0.460	0.460	0.457

1 Fiscal year 2009 had 53 weeks of operation.

2 Adjusted results used by management and the Board of Directors exclude mark-to-market gains and losses.

3 Includes $60.0 million working capital debt as Credit Agreement expires June 30, 2013.

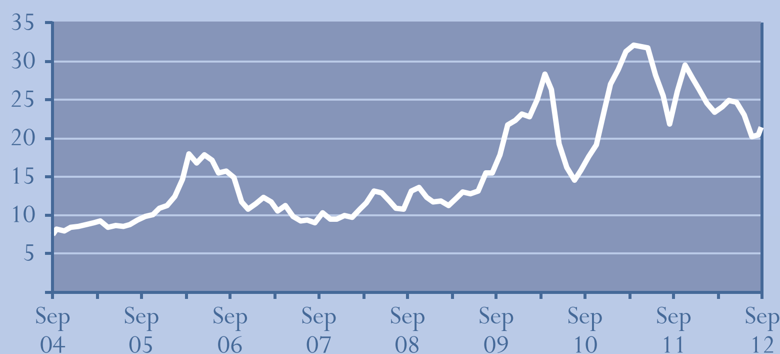
4 Prior to January 1, 2011, Rogers Sugar Inc. was an income trust. All references to shares, dividends and shareholders are subsequent to the conversion. Prior to the conversion these pertain to trust units, distributions and unitholders.

5 Prior to January 1, 2011, under the income trust structure, a distribution (interest) of 11.5 cents per quarter was paid to unitholders. From January 1, 2011 to May 2, 2012, a quarterly dividend of 8.5 cents per share was paid and since May 2, 2012, a quarterly dividend of 9.0 cents per share has been paid.

Head office and
Cane Refinery
VANCOUVER, BC

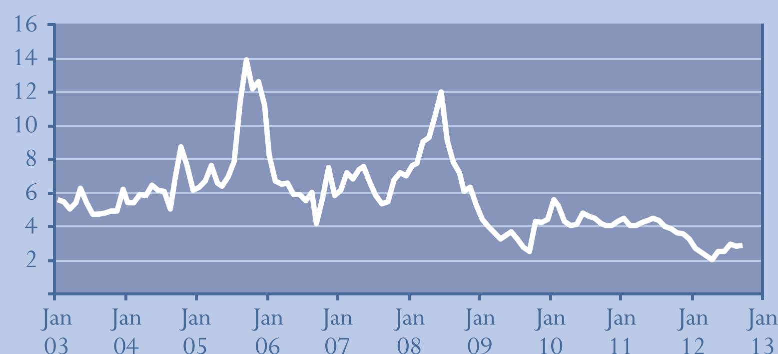
Beet Plant
TABER, AL

11 World Raw Sugar Cane Prices on the Intercontinental Exchange (“ICE”)



All refined sugar sales and cane raw sugar purchases are priced basis the #11 World Raw Sugar traded on ICE. The company follows a rigorous hedging policy to eliminate the fluctuations of raw sugar prices on its adjusted financial results, except for approximately 50 to 60,000 metric tonnes of beet sugar sold domestically.

Natural Gas Prices



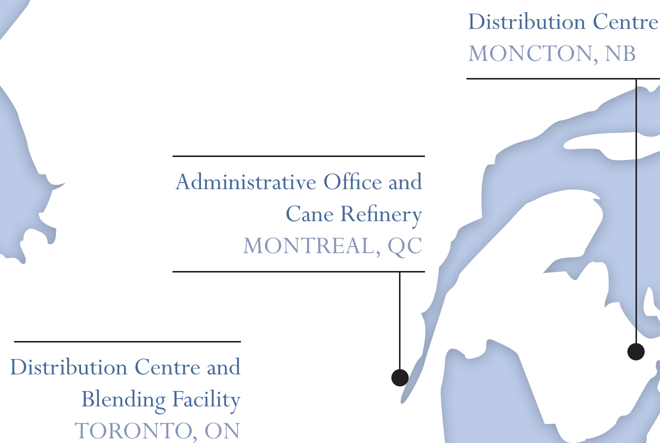
Natural gas represents one of the largest expenses in the operations of the three processing plants. The company has a hedging program in place to minimize its exposure to sudden fluctuations in this commodity.

TOTAL DISTRIBUTION (thousand of $)	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
Fiscal 2012	—	—	7,989	—	—	7,991	—	—
Fiscal 2011	3,355	3,355	3,355	—	—	7,546	—	—

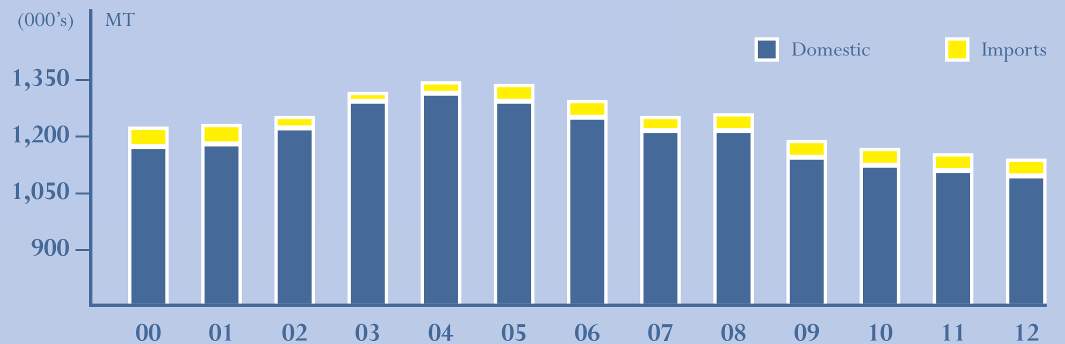
PER SHARE DISTRIBUTION ($)		OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
Fiscal 2012	- dividends	—	—	0.0850	—	—	0.0850	—	—
Fiscal 2011	- distribution	0.0383	0.0383	0.0383	—	—	—	—	—
	- dividends	—	—	—	—	—	0.0850	—	—

OUR FACILITIES

Coast to coast coverage



Canadian Refined Sugar Market



Domestic market sugar deliveries have declined in the last four years due to the transfer of the manufacturing of sugar containing products outside of Canada by certain manufacturers and to the conversion of some liquid substitutable business to high fructose corn syrup as a result of higher world raw sugar values.

JUN	JULY	AUG	SEPT	TOTAL
8,466	—	—	8,468	32,914
7,551	—	—	7,552	32,714

JUN	JULY	AUG	SEPT	TOTAL
0.0900	—	—	0.0900	0.3500
—	—	—	—	0.1150
0.0850	—	—	0.0850	0.2550

DIVIDEND DISTRIBUTION

THE DIVIDEND FOR DECEMBER WAS 8.5 CENTS PER SHARE OR $7,989, IN MARCH 8.5 CENTS OR $7,991, IN JUNE 9 CENTS PER SHARE AND $8,466 AND IN SEPTEMBER 9 CENTS PER SHARE FOR $8,468.

ROGERS SUGAR INC.
Information

DIRECTORS
A. Stuart Belkin,
Chairman and CEO
Belkorp Industries Inc.

Dean Bergmame, (2)(3)
Consultant

Michel P. Desbiens, (1)(2)(3)
Consultant

William S. Maslechko, (3)
Partner
Burnet, Duckworth & Palmer LLP

M. Dallas H. Ross, (1)(2)
Partner
Kinetic Capital Limited Partnership

(1) Nominees to Board of Directors of Lantic Inc.

(2) Audit Committee Members

(3) Nominating and Governance Committee Members

LEGAL COUNSEL
Davies, Ward, Phillips & Vineberg
Montréal, Québec

TRADING SYMBOL
RSI

STOCK EXCHANGE LISTING
The Toronto Stock Exchange

ANNUAL MEETING
The annual meeting of Shareholders
to be held at 1:30 PM (Pacific Time)
January 30, 2013 at the
Renaissance Vancouver Harbourside Hotel
1133 West Hastings St.
Vancouver, British Columbia
V6E 3T3
Tel: (604) 689-9211

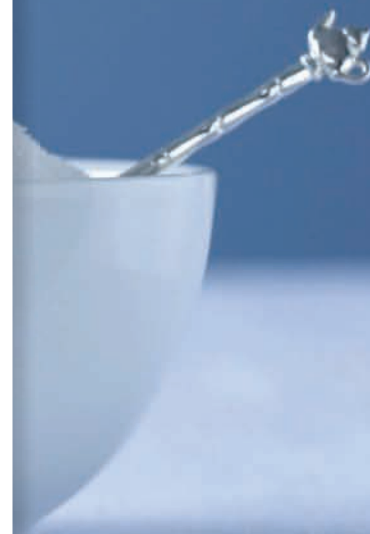
ADMINISTRATIVE OFFICE
4026 Notre-Dame Street East
Montréal, Québec
H1W 2K3
Tel: (514) 527-8686
Fax: (514) 527-8406

REGISTRAR & TRANSFER AGENT
Computershare Investor Services
Toronto, Ontario

AUDITORS
KPMG LLP
Montréal, Québec

INVESTOR RELATIONS
Daniel L. Lafrance
Tel: (514) 940-4350
Fax: (514) 527-1610

WEBSITE
Rogerssugar.com
Lantic.ca



ROGERS SUGAR INC.

Annual Report 2012

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Message to Shareholders

TO MY FELLOW SHAREHOLDERS,

IT IS WITH PLEASURE THAT I AGAIN REPORT ON A VERY SUCCESSFUL YEAR FOR ROGERS SUGAR INC. ("ROGERS" OR THE "COMPANY"). ROGERS' POSITIVE FINANCIAL PERFORMANCE WAS FURTHER ENHANCED IN FISCAL 2012, MAINLY BY CAPITALIZING ON EXPORT OPPORTUNITIES PRESENTED BY THE OPENING OF A SPECIAL U.S. REFINED SUGAR QUOTA.

Rogers through its sugar beet plant in Taber Alberta, is the only Canadian refined sugar producer benefiting from any Canada-specific refined sugar quotas to the U.S. In addition, with its two cane sugar refineries in Montreal and Vancouver, Rogers can quickly respond and participate in any U.S. special global refined sugar quotas on an immediate basis, thereby maximizing refined sugar shipments before the closure of these quotas. In fiscal 2012, with a very short window of opportunity, the Company's used these strengths to ship approximately 27,600 metric tonnes against these special quotas.

This additional sales volume, at a higher margin rate than comparable domestic sales, was a key contributor to the year's increase in adjusted net earnings before income taxes and interest of approximately $19.2 million over fiscal 2011 and resulted in fiscal 2012 adjusted net earnings before interest and income taxes of $74.9 million.

Rogers also successfully issued $60.0 million fifth series unsecured convertible debentures at an interest rate of 5.75% in fiscal 2012, and used these funds to redeem the remaining $51.7 million 5.9% third series unsecured convertible debentures. This new series extended the term of maturity by a further five years, materially improved the conversion price and decreased the overall interest rate. Year-over-year Rogers total debt was reduced by $30.2 million.

On the strength of the Company's stable financial performance over the last number of years, the Board of Directors, effective May 2, 2012, increased the quarterly dividend by 0.5 cents per share to a level of 9 cents per quarter and 36 cents per year. In total $32.9 million was paid out as dividends in fiscal 2012. Rogers' free cash flow, a measure detailed later in the Management's Discussion & Analysis, totaled $51.9 million a surplus of almost $19.0 million available for other working capital use, debt repayment or future distribution.

The Board of Directors will continue to assess the appropriateness of the level of the dividend based on performance and on the outlook for the business. The Board views sustainable returns to shareholders as a priority in its strategy.

Rogers is the only Canadian-owned sugar company and as such we are proud to support the thousands of jobs in the food manufacturing segment which rely on high quality refined sugar produced in Canada for the products they manufacture. In addition, our Taber plant, which is the only Canadian producer of refined sugar from sugar beets, injects over $70 million annually in the economy of southern Alberta and helps support over 250 sugar beet growers in that region. Our goal is to keep supporting job creation and food manufacturing development in Canada by producing high quality products at a very competitive price.

Finally, I would like to thank all our shareholders for their ongoing commitment to Rogers and all our employees for their efforts on behalf of the operating company. We continue to be guided by our obligation to both ensure and enhance the value of your investment. We thank you for the trust you have accorded us.

On behalf of the Board of Directors,

A. Stuart Belkin
Chairman

November 21, 2012

Report from the President and CEO

I AM EXTREMELY PLEASED TO REPORT THAT ROGERS ACHIEVED RECORD FINANCIAL RESULTS IN FISCAL 2012.

Adjusted earnings before interest and income taxes ("EBIT") were $74.9 million as compared to $55.7 million in fiscal 2011, an increase of $19.2 million. The main reason for this increase was the contribution from the export sale of approximately 27,600 metric tonnes against a special U.S. quota opened at the start of the fiscal year.

Sales volume, at 641,573 tonnes, was approximately 7,500 tonnes lower than last year. The decrease was due mainly to the reduction in industrial volume of approximately 34,600 metric tonnes partially offset with higher export volume of 29,900 metric tonnes. The decrease in industrial volume resulted principally from competitive activity in that segment and from the transfer of production of sugar containing products to non-Canadian plants by certain customers. The increase in export volume is due mainly to a special refined sugar quota of approximately 136,000 metric tonnes opened, effective October 3, 2011, by the United States Department of Agriculture, 25,000 metric tonnes of this quota were allocated directly to Canada and the balance on a first-come, first-served basis to global suppliers. Lantic, through its cane refineries, was able to enter approximately 10,000 metric tonnes against the global quota and an additional 17,600 metric tonnes of beet sugar against the Canada specific quota before the closure of these quotas.

The adjusted gross margin rate per tonne was substantially higher than the previous year due mainly to the sales mix with higher margin export sales against the U.S. special quota and lower industrial sales volume at a lower margin. In addition in fiscal 2011 large premiums were paid for some of the raw sugar supply bought on a prompt basis which had a negative impact on the adjusted margin rate of fiscal 2011. Under normal circumstances, most raw sugar requirements are contracted in advance under long-term contracts. In fiscal 2011 some of these contracts were ending and raw sugar had to be purchased on a prompt basis at a time when raw sugar availability was very tight. As a result, significant premiums had to be paid on approximately 20% of our raw sugar needs which had a negative impact on adjusted gross margins. No such premiums occurred in fiscal 2012.

The Company continues to invest in its manufacturing operations. In fiscal 2012 over $30.0 million was invested in the general maintenance of our plants plus an additional $9.2 million in various capital projects to ensure plant reliability and product security. In addition Montreal and Vancouver cane operations implemented the Global Food Safety Initiative, the current universal standard for food safety and consumer protection and Taber will complete its implementation early in fiscal 2013. The production and certification of a high quality refined sugar is important to our Company, employees and customers alike.

On September 28, 2012, the Canadian International Trade Tribunal ("CITT") reinstated the anti-dumping and countervailing duties on refined sugar imports from the European Union ("EU"). The CITT had initially rescinded the duties on November 1, 2010, following a periodic review of the duties. On December 1, 2010 the Canadian Sugar Institute filed an application with the Federal Court of Appeal for judicial review of the order to rescind. On May 30, 2012, the Federal Court of Appeal allowed the application, set aside the order and returned the matter to the CITT for reconsideration. Upon reconsideration, the CITT reversed its decision and issued an order to continue the duties which are now in place until October 31, 2015, when they will be reviewed again.

The price support and trade distorting attributes of the EU sugar regime has not materially changed since the original CITT decision in 1995. As such these duties continue to be important as they protect the Canadian refined sugar industry from the adverse effect of unfairly traded imports from the EU.

Outlook

In fiscal 2012, approximately 30,000 metric tonnes of industrial and liquid volume was lost following the negotiation of key customer contracts in December 2011 and to the transfer of sugar containing products to non-Canadian plants by certain customers. As most large customers' contract negotiations were concluded by the time the Company was notified of this loss, such volume could not be replaced in fiscal 2012. However, the Company has already contracted additional volume with existing and new accounts for fiscal 2013, as winning back domestic volume remains a high priority.

With the current U.S. and Mexico crop outlooks it would appear that no special U.S. quotas will open in fiscal 2013 and therefore export sales could be significantly lower in fiscal 2013. However, to provide a more stable export basis, the Company will continue to investigate other export opportunities similar to those developed several years ago in Mexico.

The total sweetener market decreased slightly this past year but we believe this trend will not continue over the next number of years as the market should revert to a small percentage increase, in-line with the population increase. The reduction in fiscal 2012 was more

a reflection of some manufacturing of sugar related products moving out of Canada underlining our belief that this trend will not continue. In addition the price of corn has reached new highs in the last number of months. This could have a positive impact as some HFCS substitutable business may switch to liquid sucrose if high corn prices prevail and if raw sugar values are more stable in the future.

The harvest and beet slicing campaign in Taber began in the second half of September. Early indications are favourable as the yield per acre harvested and the extraction rate achieved to date are superior than forecast. Taber's beet crop acreage, currently being harvested, is approximately 30,500 acres. If current harvesting conditions continue, we should derive approximately 105,000 tonnes of beet sugar for fiscal 2013. This volume will be higher than the combined sales forecast for the domestic market normally supplied from Taber and for the exports sales under the U.S. Canada specific quota and to Mexico. If other export or domestic opportunities do no occur, Taber will have to warehouse some beet sugar, until next year. This would increase total distribution costs.

Less than half of fiscal 2013's natural gas requirements have been hedged at average prices comparable to those realized in fiscal 2012. Any un-hedged volume should benefit from the current low prices of natural gas and therefore increase the adjusted gross margin rate. In addition, futures positions for fiscal 2014 to 2015 have been taken. Some of these positions are at prices higher than the current market values, but are at the same or better levels than those achieved in fiscal 2012. We will continue to monitor natural gas market dynamics with the objective of minimizing natural gas costs.

In the current financial environment, return on pension plan assets may vary from historical plan performance. This, combined with the discount rate used in assessing the plan liabilities, may impact pension plan expenses in future years. Pension cash contributions were increased following this year's actuarial valuations and may increase in the future, as and when new actuarial valuations are done.

We would like to take this opportunity to thank all employees and management across Canada for their dedication and hard work. Through their commitment we have been able to capitalize on unique but meaningful opportunities over the past several years, exports to the U.S. and Mexico being prime examples. The effort overall is greatly appreciated and together we will continue to maximize each opportunity as presented to benefit our shareholders.

We look forward to the coming year and the opportunity to once again deliver favourable results to the shareholders of Rogers Sugar Inc.

Edward Makin
President and Chief Executive Officer

November 21, 2012

THIS MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") OF ROGERS SUGAR INC. ("ROGERS") CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 29, 2012 SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES FOR THE YEAR ENDED SEPTEMBER 29, 2012.

On January 1, 2011, Rogers completed the conversion from an income trust to a corporation pursuant to a plan of arrangement under section 192 of the Canada Business Corporations Act. Pursuant to the plan of arrangement, unitholders exchanged each trust unit of Rogers Sugar Income Fund (the "Fund") on a one-for-one basis for shares of Rogers. Rogers is considered a continuation of the Fund and as such the results for the year ended October 1, 2011 include the financial results of the Fund to December 31, 2010. All references to shares, dividends and shareholders in the MD&A pertain to common shares and common shareholders subsequent to the conversion and units, distributions and unitholders prior to the conversion.

Additional information relating to Rogers and Lantic Inc., including the Annual Information Form, Quarterly and Annual reports and supplementary information is available on SEDAR at www.sedar.com.

This Management's Discussion and Analysis is dated November 21, 2012.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Rogers adopted the International Financial Reporting Standards ("IFRS") effective October 2, 2011. Accordingly, Rogers' audited financial statements and notes thereto, for the year ended September 29, 2012 have been prepared in accordance with IFRS 1 – First time Adoption of IFRS, which sets out the requirements for the first time adoption of IFRS. This standard required us to restate the October 1, 2010, opening balance sheet (the "transition date") and prepare comparative 2011 IFRS financial statements to be presented with our 2012 results. The information disclosed for the year ended October 1, 2011 has been restated for IFRS differences in the financial statements and in the MD&A, unless otherwise noted.

Last year Rogers stated, in its MD&A for the year ended October1, 2011, that it had identified and calculated the impact of the differences between IFRS and Canadian GAAP on its opening balance sheet and that there were no expected material impact on Rogers' 2011 financial reporting results, based on the information collected at the time. Upon finalization of the adoption of IFRS for fiscal 2011 financial statements, it has been concluded that the changes were not material.

Detailed reconciliations of the changes in the consolidated statement of earnings and comprehensive income for the year ended October 1, 2011 and the consolidated statements of financial position as at October 1, 2011 and October 1, 2010, are presented in Note 32 of the accompanying financial statements. The transition to IFRS has not had a material impact on Rogers' operations, strategic decisions, cash flow and capital expenditures program. IFRS is considered generally accepted accounting principles ("GAAP") for Canadian reporting purposes.

NON-GAAP MEASURES

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with GAAP with a number of non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flow that excludes (includes) amounts, or is subject to adjustments that have the effect of excluding (including) amounts, that are included (excluded) in most directly comparable measures calculated and presented in accordance with GAAP. Non-GAAP financial measures are not standardized; therefore, it may not be possible to compare these financial measures with the non-GAAP financial measures of other companies having the same or similar businesses. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety, and not to rely on any single financial measure.

We use these non-GAAP financial measures in addition to, and in conjunction with, results presented in accordance with GAAP. These non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, may provide a more complete understanding of factors and trends affecting our business.

In the MD&A, we discuss the non-GAAP financial measures, including the reasons why we believe these measures provide useful information regarding our financial condition, results of operations, cash flows and financial position, as applicable. We also discuss, to the extent material, the additional purposes, if any, for which these measures are used. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures are also contained in this MD&A.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements which reflect the current expectations of Rogers and Lantic Inc. ("the Company") with respect to future events and performance. Wherever used, the words "may," "will," "anticipate," "intend," "expect," "plan," "believe," and similar expressions identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Although this is not an exhaustive list, the Company cautions investors that statements concerning the following subjects are, or are likely to be, forward-looking statements: future prices of raw sugar, natural gas costs, the opening of special refined sugar quotas in the United States, beet production forecasts, the status of labour contracts and negotiations, the level of future dividends and the status of government regulations and investigations. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. This could cause actual performance or results to differ materially from those reflected in the forward-looking statements, historical results or current expectations.

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with Rule 52-109 respecting certification of disclosure in issuers' annual filings, the Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of the year ended September 29, 2012. The Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

As required by national Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings), the Chief Executive Officer and the Chief Financial Officer have caused to be evaluated under their supervision the effectiveness of such internal controls over financial reporting ("ICFR") as at September 29, 2012 using the framework established in "Internal Control – Integrated Framework ("COSO" Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, they have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at September 29, 2012.

In designing and evaluating such controls, it should be recognized that, due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is obliged to use judgement in evaluating controls and procedures.

The Company's internal controls were not materially affected by the transition to IFRS.

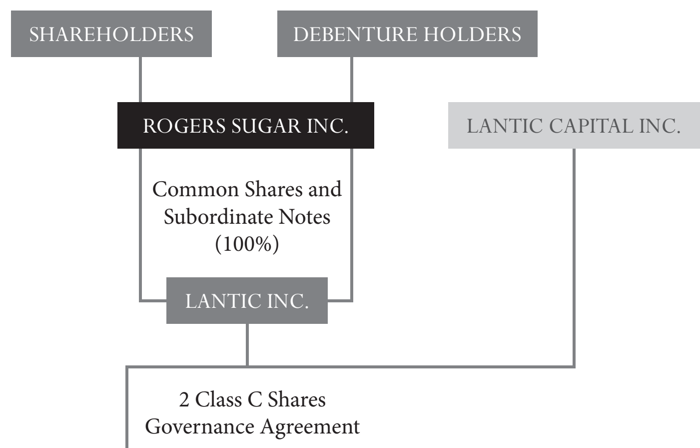
CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal controls over financial reporting during the year that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OVERVIEW

Rogers is a corporation incorporated under the Canada Business Corporations Act, which holds all of the common shares and subordinated notes of Lantic Inc. ("Lantic").

The following chart illustrates the structural relations between the shareholders, debenture holders, Rogers, Lantic Capital Inc., and Rogers's operating company, Lantic.



Rogers is governed by not less than three, nor more than seven directors who are appointed annually at the annual general meeting of the shareholders of Rogers. As of the date of this MD&A, there were five directors.

The directors are responsible for, among other things: acting for, voting on behalf of and representing Rogers as a shareholder and noteholder of Lantic; maintaining records and providing reports to the shareholders; supervising the activities and managing the investments and affairs of Rogers; and effecting payments of dividends to shareholders.

Communication with the shareholders on matters relating to the Company is primarily the responsibility of the Administrator, Lantic, through its Chief Executive Officer and Chief Financial Officer. Regular meetings and discussions are held between these individuals and industry analysts, brokers, institutional investors, as well as other interested parties.

An Audit Committee of Rogers exists and is composed of three directors, all of whom are independent and unrelated.

Production Facilities

Lantic operates cane refineries in Montreal, Quebec and in Vancouver, British Columbia, and a sugar beet factory in Taber, Alberta. Lantic is the largest refined sugar producer in Canada, with annual nominal production capacity of approximately 1,000,000 metric tonnes.

With total sales volume of approximately 600,000 to 700,000 metric tonnes per year, Lantic has ample capacity to meet all current volume requirements. None of the production facilities operate at full capacity. Lantic is also the only sugar producer with operating refineries across Canada. The strategic location of these facilities allows Lantic to service all customers across the country efficiently and on a timely basis.

Lantic has also operated a blending operation in Toronto since October 2007. The total capacity of this leased dry blending site is approximately 30,000 metric tonnes per year.

Our Products

All Lantic operations supply high quality white sugar as well as value-added specialty products. We are also committed to responding to the evolving needs of our customers through innovative packaging and delivery scheduling, as well as by addressing specific production requirements.

Sales are focused in three specific segments: industrial, consumer, and liquid products. The industrial segment is the largest of the three segments accounting for approximately 70% of all shipments. The domestic industrial segment has experienced some decline following the closure of certain plants involved in the production of sugar containing products, by customers who consolidated their operations in other North American facilities, or moved their production to other countries.

In the consumer segment, a wide variety of products is offered under the Lantic and Rogers brand names. The goal is to continue to improve the Company's competitive position in the sale of value-added products through the introduction of new packaging and retail products. This segment has remained fairly stable during the last several years.

Part of our production is sold to liquid industrial users. Some liquid users can substitute liquid sucrose with high fructose corn syrup ("HFCS"). These accounts have historically been our lowest margin accounts due to the lower prices of HFCS. With the increase in world raw sugar prices over the last five years, some liquid business was lost to HFCS and sales volume in that segment declined. Sale volume stabilized in fiscal 2012 as most manufacturers who could switch had largely done so in previous years. Lower world raw sugar prices combined with increases in corn prices could result in some liquid users switching back to liquid sucrose from HFCS.

Lantic's Taber plant is the only beet sugar factory in Canada, and is therefore the only producer of Canadian origin sugar. As such, this plant is the sole participant in a Canadian-specific quota to the U.S., which was increased, starting in fiscal 2011, to approximately 12,000 metric tonnes, from historically 10,300 metric tonnes. In addition, there is an 8,300 metric tonne U.S. global refined sugar quota, increased from 7,000 metric tonnes in fiscal 2011, which opens and is usually filled on a first-come first-served pro-rata basis every year on October 1. The Montreal and Vancouver cane operations and Taber beet operations can both participate in this global quota. These sales in the U.S. are made at a higher price than comparable sales in Canada, due to the sugar support program in place in the United States. On September 29, 2011, the Secretary of Agriculture of the United States increased the refined quota by 136,078 metric tonnes, of which 25,000 metric tonnes was allocated specifically to Canada and the remaining 111,078 metric tonnes was allocated to the global quota on a first-come, first-served basis closing at the latest on November 30, 2011. This special quota opened October 3, 2011 and the global portion of the quota closed on October 25, 2011 when

it was filled. The 25,000 metric tonnes additional quota allocated to Canada could only be supplied by the Taber beet factory, the only producer of Canadian origin refined sugar.

By-products are sold in the form of beet pulp, beet and cane molasses. Beet pulp is sold domestically and to export customers for livestock feed. The production of beet molasses and cane molasses is largely dependent on the volume of sugar processed through the Taber beet plant and the Montreal and Vancouver cane facilities.

Our Supply

The supply of raw sugar is ample. Over the last several years, Lantic has purchased most of its raw sugar from Central and South America for its Montreal and Vancouver cane refineries. All raw cane sugar purchases are hedged on the Intercontinental Exchange ("ICE") #11 world raw sugar contract. This hedging eliminates gains or losses from raw sugar price fluctuations, and thus helps Lantic avoid the effects of volatility in the world raw sugar market.

The Company has an agreement with the Alberta Sugar Beet Growers (the "Growers") for the supply of sugar beets to the Taber beet plant. In April 2012, a new three-year agreement was signed with the Growers starting with the crop harvested in the fall of 2012 and to be processed in fiscal 2013. Any shortfall in beet sugar production as a result of related crop problems is replaced by refined cane sugar from the Vancouver refinery, which acts as a swing capacity refinery.

The new contract with the Growers stipulates a fixed price for all beet sugar derived from the beets processed in addition to an improved scale incentive as the price of raw sugar increases. As a consequence, the Company is exposed to fluctuations in the #11 world raw sugar price for all domestic beet sugar volume sold against the #11 world raw sugar prices, which is approximately 60,000 metric tonnes.

Pricing

In fiscal 2012, the price of raw sugar fluctuated between U.S. 18.81 cents per pound and U.S. 28.35 cents per pound, and closed at U.S. 19.58 cents per pound at the end of the fiscal year, which was approximately 6.76 cents lower than the closing value at October 1, 2011. The price variation during the year was less than in fiscal 2011 when raw sugar prices fluctuated between U.S. 20.40 and U.S. 36.08 cents. The world raw sugar market was more stable this year as world sugar production exceeded consumption for the first time in three years, thus bringing more stability in the market. The crops in India and Thailand were again superior to the previous year, which helped offset the lower output of the Brazilian crop. However, raw sugar prices declined more significantly in the summer of 2012 when the Brazilian crop was estimated to be better than the previous year, contributing to a larger projected surplus of production over consumption.

The price of sugar deliveries from the Montreal and Vancouver raw cane facilities are directly linked to the price of the #11 world raw sugar market on the ICE. All sugar transactions are hedged, thus eliminating the impact of the volatility in world raw sugar prices. This applies to any refined sugar sales made by these plants. Liquid sales to HFCS-substitutable customers are normally priced against competing HFCS prices and are historically the lowest margin sales for the Company. A higher price of raw sugar may render the Company uncompetitive on certain of these liquid sales.

Higher raw sugar prices have the most significant impact on our western operations. In Taber, the raw material used to produce sugar is sugar beets, for which a fixed price, plus an incentive on higher raw sugar values, is paid by Lantic to the Growers. As a result, Lantic benefits from or alternatively absorbs some of the results associated with fluctuations in world raw sugar prices for all volume not sold as exports to the U.S. and Mexico or for HFCS liquid substitutable business. Based on a normal crop size, this could represent between 50,000 and 60,000 metric tonnes per year, or about 10% of the Company's total volume.

Operations

Employees are key to our success and employee safety is continuously at the forefront of our priorities. Each of the Company's manufacturing operations incorporates occupational health and safety components in its annual planning which are reviewed monthly by senior management and quarterly by the Board of Directors.

For our refinery operations, labour remains the largest cost item. The labour agreements for the Montreal and Vancouver cane refineries terminate in February 2013, for which negotiations will start early in fiscal 2013.

Energy is our second largest operating expense, as we use large amounts of natural gas in our refineries. We have a hedging strategy in place with futures contracts to mitigate the effects of sudden rises in the price of natural gas. In fiscal 2012, most open positions were purchased on spot values due to the lower value of the commodity. We will continue to hedge positions forward when future values are more closely aligned with current natural gas spot values. Even

with this forward hedging policy, Lantic remains exposed to year-to-year trends in natural gas prices. In Montreal, we have the ability to switch to low sulphur oil when natural gas prices are higher than the comparable price of low sulphur oil.

Production reliability is also critical to the success of our operations. Every year, each plant makes considerable investments in preventive maintenance and repairs, thus maintaining their efficient working order and competitiveness.

Lantic invested approximately $8.5 million in capital projects for plant reliability, product security, information systems, environmental requirements and cost improvements in fiscal 2012. In addition, over the course of any given fiscal year, the Company will normally undertake capital investment projects. These investment projects are not necessary for the operation of the plants, but are undertaken because of the substantial operational savings to be realized when such projects are completed. In fiscal 2012, the Company invested $0.7 million mainly into energy savings projects and for the acquisition of small sugar containing products quotas and retail packaging equipment to increase blending revenues. A number of other projects are under analysis which may start in fiscal 2013.

The Company is fully committed to continuous quality improvement and to the competitive supply of quality and safe products that meet or surpass customer and legislative requirements. Customer satisfaction is achieved and maintained by a qualified and motivated workforce that is accountable and responsible for all aspects of quality assurance. By understanding and responding to evolving needs and expectations we are well positioned with respect to ever changing requirements such as the Global Food Safety Initiative, currently the universal benchmark for food safety and consumer protection which was implemented in the Montreal and Vancouver operations and is scheduled for completion in Taber early in fiscal 2013.

USE OF FINANCIAL DERIVATIVES FOR HEDGING

Sugar

In order to protect itself against fluctuations of the world raw sugar market, the Company follows a rigorous hedging program for all purchases of raw cane sugar and sales of refined sugar.

The world raw sugar market (#11) is only traded on the ICE, which trades in U.S. dollars. One can trade sugar futures forward for a period of three years against four specific terminals per year (March, May, July and October). The terminal values are used to determine the price settlement upon the receipt of a raw sugar vessel or the delivery of sugar to the Company's customers. The ICE rules are strict and are governed by the New York Board of Trade. Any amount owed, due to the movement of the commodity being traded, has to be settled by cash the following day (margin call payments/receipts).

For the purchasing of raw sugar, the Company enters into long-term supply contracts with reputable raw sugar suppliers (the "Seller"). These long-term agreements will, amongst other things, specify the yearly volume (in metric tonnes) to be purchased, the delivery period of each vessel, the terminal against which the sugar will be priced, and the freight rate to be charged for each delivery. The price of raw sugar will be determined later by the Seller, based upon the delivery period. The delivery period will correspond to the terminal against which the sugar will be priced. As an example, a vessel to be shipped in January would be priced against the next terminal, being March of that year (each terminal expires on the last day of the previous month). Therefore, the Seller has the ability to price throughout the duration of the contract any volume to be shipped against a specific terminal. When the Seller wants to price a certain quantity he must immediately secure a futures position for Lantic on the ICE (selling a future in this case) for the same volume and price. The futures contract value taken will become the price the Company will pay the Seller for the raw sugar upon delivery. As an example, the Seller may want to price on October 1, 2012, 1,000 metric tonnes for delivery in January 2013 against the March 2013 terminal. The price as at October 1, 2012 for the March 2013 terminal is 20.00 cents per pound, or US$440.92 per metric tonne. This is called "firming" the price of raw sugar. A vessel of 40,000 metric tonnes may have been priced on many different dates, but for each transaction Lantic would have sold a futures position for the same price and volume on the ICE.

The selling of refined sugar by the Company is also done under the world raw sugar market (#11). When a sales contract is negotiated with a customer, the sales contract will determine the period of the contract, the expected delivery period against specific terminals and the refining margin and freight rate to be charged over and above the value of the sugar. The price of the sugar is not yet determined but needs to be fixed by the customer prior to delivery. The customer will make the decision to fix the price of the sugar when he feels the sugar market is favourable against the sugar terminal, as per the anticipated delivery period.

As an example, customer "A" negotiates a contract with Lantic from July of 2012 to June of 2013, for delivery of 1,000 metric tonnes of

sugar per month, for a total of 12,000 metric tonnes. In August 2012, customer "A" decides to firm the price of the sugar to be delivered in January 2013 (against the March terminal). That day in August, the price of sugar for the March 2013 terminal is 18.00 cents per pound or US$396.83 per metric tonne. As customer "A" prices this sugar with the Lantic trading desk, Lantic will, at the same time, buy a futures position for the same volume and price on the futures market (ICE) to hedge Lantic and protect the Company from any fluctuations in the sugar market.

From the above example, we will now demonstrate how the Company protects itself against fluctuations in the market. The Company sold 1,000 metric tonnes to customer "A" for January of 2013, which had been priced at 18.00 cents per pound or US$396.83 per metric tonne. The Company also purchased 1,000 metric tonnes of sugar, which had been priced at 20.00 cents per pound or US$440.92 per metric tonne. Both of these transactions were hedged against the March 2013 terminal. Upon receipt and delivery of the sugar, these transactions would be recorded at their cost.

On the physical transaction, the Company sold 1,000 metric tonnes of sugar at 18.00 cents per pound (before refining margin), bought from the Seller at 20.00 cents per pound. In effect, the Company, on the physical transaction, would incur a loss of 2.00 cents per pound or US$44.09 per metric tonne for 1,000 metric tonnes, for a total loss of US$44,090.

On the futures side (paper transaction), the Company will liquidate its entire position prior to March 1, 2013. For the above transactions, the Company sold a future position of 1,000 metric tonnes for 20.00 cents per pound and bought a future position of 1,000 metric tonnes for 18.00 cents per pound. On the liquidation date, the March terminal trades at 22.00 cents per pound. Therefore the Company will buy back the 20.00 cents (original sell position) for 22.00 cents, losing 2.00 cents per pound. On the other hand, the Company will sell the original buy position of 18.00 cents for 22.00 cents, making 4.00 cents per pound on this transaction. In total, the Company will make 2.00 cents per pound or U.S. $44.09 per metric tonne for a total, on 1,000 metric tonnes, of US$44,090 on the liquidation of the futures transaction. The loss incurred on the physical transaction is therefore totally offset by the gain earned on the liquidation of the futures position, due to the hedging of the transaction.

Inefficiencies could occur and small gains or losses could be incurred on hedged transactions. Every year, the Company estimates sales patterns against the receipt of sugar deliveries. Any discrepancies in these estimates may result in small gains or losses on hedged transactions. A customer may be taking more or less sugar than determined under its contract, for example, and small gains or losses may be incurred on the hedged transactions as a result.

The Company mitigates the impact of the above by reviewing on a daily basis the total hedged position to determine that, in total, all sugar transactions are hedged. The Company also prepares a hedged transaction report by terminal periods to determine that there is no straddle within each terminal period. In the event that a straddle position exists due to circumstances discussed above, the Company will immediately correct the straddle and record any gain or loss incurred in correcting the straddled position. In addition, if a customer is late in taking delivery of its "priced" sugar, and if the Company needs to roll forward the un-drawn quantity to the following terminal period, the Company can invoice the customer for all costs incurred in rolling forward the un-drawn volume.

The Board of Directors authorized the Company to have a trading book to trade outright sugar futures, options, spreads and white-raw differentials to a limit of 25,000 metric tonnes. It was also agreed that a report on all activities would be reviewed quarterly at each Board meeting and that all trading book activities would be discontinued if trading losses of $250,000 were accumulated. Any mark-to-market gains or losses on any open positions of the trading book at year end, as well as gains or losses on any liquidated positions of the trading book are recognized in the Company's adjusted earnings. A minimal income was earned in fiscal 2012 on the trade book.

Beet Sugar

As noted, the Company purchases sugar beets from the Growers under a fixed price formula plus a scale incentive when raw sugar values exceed a certain price level. Except for sales to the U.S., under the export quota, to HFCS-substitutable accounts, and for other export opportunities, all other sales are made using the same formula as cane sugar, following the world raw sugar price. This represents approximately 50,000 to 60,000 metric tonnes per year, based on a normal size of the beet crop.

The Board of Directors authorized the Company to hedge forward up to 70% of the Taber sales to be made under the raw sugar formula as long as a beet sugar contract was signed with the Growers for those years. This was done to allow the Company to benefit from a sudden rise in the raw sugar market. Any gains earned (if a sales contract is entered at a lower raw value) or losses incurred (if a sales contract is entered at a higher raw value) when those positions are unwound, are recognized in the period when that quantity of beet sugar is delivered. This is referred to as the Taber pre-hedge.

During fiscal 2012, the Company was able to put a pre-hedge program in place for fiscal 2013 beet sugar sales for approximately 10,000 metric tonnes at an average price of approximately US 23.00 cents per pound.

Natural Gas

The Board of Directors of Lantic approved an energy hedging policy to mitigate the overall price risks in the purchase of natural gas.

On average, the Company will purchase approximately 3.0 million gigajoules of natural gas per year to be used in its refining operations. To protect against large and unforeseen fluctuations, the Company can hedge forward up to 80% of its estimated usage over the next 24 months, and lower percentages of its estimated usage on a longer term basis. The Company will hedge close to its maximum level allowed if natural gas prices are below a certain percentage of the prior year's average price and therefore lock in year-over-year savings.

These gas hedges are unwound in the months that the commodity is used in the operations, at which time any gains or losses incurred are then recognized for the determination of adjusted gross margins and earnings.

Variation Margins (Margin Calls)

For all hedged sugar and natural gas positions on the futures market, the Company must settle with the commodity broker on the following day any gains or losses incurred on the net hedged position of these commodities, based on the trading values at closing of the day. These daily requirements are called "margin calls."

When sugar prices are on the rise, the Company's sugar suppliers will normally price in advance large quantities of sugar to benefit from these higher prices. On the other hand, the Company's customers will only price forward small quantities, hoping for a downward correction in the marketplace. This will result in the Company having a "short" paper position. As the price of sugar continues to rise, the Company has to pay margin calls on a regular basis. These margin calls are paid back to the Company when the price of sugar declines or upon receipt or delivery of sugar.

Foreign Exchange

Raw sugar costs for all sales contracts are based on the U.S. dollar. The Company also buys natural gas in U.S. dollars. In addition, export sales and some Canadian sales are denominated in U.S. dollars.

In order to protect itself against the movement of the Canadian dollar against the U.S. dollar, the Company, on a daily basis, reconciles all of its exposure to the U.S. dollar and will hedge the net position against various forward months, estimated from the date of the various transactions.

Accounting Measurement

The above description of how financial derivatives are used to provide the Company's adjusted earnings, is inconsistent with the Company's GAAP financial information. The above reflects the determination of adjusted results of the Company.

SELECTED FINANCIAL INFORMATION

The following is a summary of selected financial information of Rogers' consolidated results for the 2012, 2011 and 2010 fiscal years. Since the conversion to a corporation on January 1, 2011, the Company's fiscal year ends on the Saturday closest to the end of September. All references to 2012, 2011 and 2010 represent the fiscal years ended September 29, 2012, October 1, 2011 and September 30, 2010. The Company's financial statements were prepared under GAAP and the Company's functional and reporting currency is Canadian dollars.

(In thousands, except volume and per share information)	**2012**	2011	*2010
Total volume (metric tonnes)	**641,573**	649,078	682,149
	$	$	$
Total revenues	**618,093**	612,614	606,873
Gross margin	**77,861**	96,849	87,639
Results from operating activities	**50,604**	68,884	59,204
Net earnings	**30,261**	41,854	45,214
Cash flow from operations	**47,793**	22,915	83,203
Total assets	**594,067**	615,082	584,805
Total non-current liabilities	**197,749**	290,082	260,210
Net earnings per share:			
Basic	**0.33**	0.47	0.52
Diluted	**0.32**	0.43	0.48
Dividends/cash distribution per share	**0.3500**	0.3700	0.4600

*The financial information presented for fiscal 2010 does not reflect the impact of the adoption of IFRS

The sales volume was lower in fiscal 2012 as the Company lost a large account of domestic industrial volume in calendar 2012. This was partially offset with higher export volume due to the special quota opened by the U.S. at the start of the fiscal year. In fiscal 2010, no special quotas were opened but the high refined prices in the U.S. combined with lower raw sugar values, allowed the Company to sell approximately 41,600 metric tonnes of sugar products under the U.S. Tier II duty provisions, thus the reason for the decrease in sales volume in fiscal 2011 versus fiscal 2010.

The decrease in gross margin and results from operating activities is due mainly to the negative adjustment of $24.3 million for the mark-to-market of derivative financial instruments which is explained in detail later in the MD&A. The net earnings are also lower due to the same mark-to-market adjustment net of income taxes.

The increase in cash flow from operations is due mainly to the lower level of inventories at year-end. The decrease of approximately $12.7 million in inventories is due to timing of the receipt of raw sugar vessels in Montreal, to the lower values of raw sugar at year-end and to the later start of the Taber beet crop harvest in September of this year. For fiscal 2011, inventories had a negative impact of approximately $39.7 million on cash flow, a variance of $52.4 million year-over-year. This positive variance in cash flow was reduced by the payment of approximately $15.3 million in income taxes and to lower net earnings of approximately $11.6 million.

The decrease in total assets is due mainly to the lower level of inventories and trade receivables at the end of the year.

The decrease in non-current liabilities in fiscal 2012 is due mainly to the borrowings under the bank line of credit shown as current as the line of credit comes due in June 2013. Also convertible debentures total liabilities were reduced by approximately $20 million following the redemption of the third series convertible debentures and the issuance of the fifth series convertible debentures.

The decrease in dividends/cash distribution per share is due to the change from an income trust to a corporation on January 1, 2011. Since that date, the Company is subject to federal and provincial income taxes on its income. As a result, the Company declared quarterly dividends of 8.5 cents per share for the last three quarters of fiscal 2011 and the first two quarters of fiscal 2012. Quarterly dividends were increased to 9 cents per share effective May 2, 2012. The quarterly distributions under the income trust structure were 11.5 cents per unit.

On an annual basis, a goodwill impairment calculation is performed with the aim of ensuring that the fair value of the Company is more than its respective carrying value. There was no impairment in the fiscal 2012 analysis.

In the normal course of business, the Company uses derivative financial instruments consisting of sugar futures, foreign exchange forward contracts, natural gas futures and interest rate swaps. The Company's operating company sells refined sugar to some clients in U.S. dollars. These sales contracts are viewed as having an embedded derivative if the functional currency of the customer is not U.S. dollars, the embedded derivative being the source currency of the transaction, U.S. dollars. Derivative financial instruments and embedded derivatives are marked-to-market at each reporting date, with the unrealized gains/losses charged to the consolidated statement of operations with a corresponding offsetting amount charged to the statement of financial position.

Management believes that the Company's financial results are more meaningful to management, investors, analysts and any other interested parties when financial results are adjusted by the gains/losses from financial derivative instruments and from embedded derivatives. These adjusted financial results provide a more complete understanding of factors and trends affecting our business. This measurement is a non-GAAP measurement.

Management uses the non-GAAP adjusted results of the Company to measure and to evaluate the performance of the business through its adjusted gross margin, adjusted EBIT and adjusted net earnings. In addition, management believes that these measures are important to our investors and parties evaluating our performance and comparing such performances to our past results. Management also uses adjusted gross margin, adjusted EBIT and adjusted net earnings when discussing results with the Board of Directors, analysts, investors, banks and other interested parties.

The results of operations would therefore need to be adjusted by the following:

Income/(Loss) (In thousands of dollars)	**2012**	2011	2010
	$	$	$
Mark-to-market adjustment	**(14,243)**	20,278	(22,135)
Cumulative timing differences	**(10,088)**	(7,104)	23,414
Total adjustment to cost of sales	**(24,331)**	13,174	1,279

The mark-to-market adjustment represents the variation between all derivative contracts at the end of each reporting quarter as compared to the mark-to-market value of these contracts that were present in the previous measured quarter and to the initial value of all new contracts entered during that time period. The year-end mark-to-market adjustment is the total of all these quarterly results.

The raw sugar market was more stable in fiscal 2012 and did not have the large fluctuations that the market experienced in fiscal 2011. In effect the market was mainly trending lower in fiscal 2012 and as a result a mark-to-market loss of $5.7 million was recorded in fiscal 2012 compared to a mark-to-market gain of $20.1 million in fiscal 2011, when raw sugar prices increased drastically in the first two quarters of that fiscal year. Natural gas prices declined for both fiscal 2012 and 2011 but the decrease was more significant in fiscal 2012, and as a result a mark-to-market loss of $3.6 million was recorded in fiscal 2012 as compared to a mark-to-market loss of $1.9 million in fiscal 2011. Foreign exchange forward contracts and embedded derivatives, on which foreign exchange movements have an impact, had a combined mark-to-market loss of approximately $5.0 million for the year compared to a mark-to-market gain of $2.1 million in fiscal 2011.

The cumulative timing differences are as a result that mark-to-market gains or losses are recognized by the Company only when sugar is sold to a customer and when natural gas is used. In addition as explained under "Use of Financial Derivatives for Hedging" on pages 8 to 10 of this MD&A, the gains or losses on the sugar and related foreign exchange paper transactions are largely offset by corresponding gains or losses from the physical transactions being the sale and purchase contracts with customers and suppliers. The year-end adjustment is the total of all quarterly results. This adjustment is added to the mark-to-market results to arrive at the total adjustment to cost of sales. For fiscal 2012 the total cost of sales adjustment is a loss of $24.3 million to be added to the consolidated operating results while a total cost of sales gain of $13.2 million was deducted from the consolidated

operating results in fiscal 2011 to arrive at the adjusted operating results of these two years.

The Company also recorded a mark-to-market gain of $2.1 million in fiscal 2012 for the mark-to-market of an interest rate swap under finance income, as compared to a mark-to-market gain of $0.9 million in fiscal 2011, as recorded mark-to-market losses from the previous years are reversed from the passage of time of the swap. In addition, under IFRS, the conversion feature in the convertible debentures, while the Company was operating under the income trust structure for the period of October 1, 2010 to December 31, 2010, is an embedded derivative. This derivative was fair valued at the opening and the closing of that reporting period and the net change in the fair value between each operating period of $3.8 million was recorded as an expense in fiscal 2011.

Therefore, the total adjustment to net earnings before income taxes for the year was a loss of $22.2 million compared to a gain of $10.2 million in fiscal 2011.

Adjusted financial information (non-GAAP reconciliation):

Consolidated Results (In thousands of dollars, except per share information)	**2012**	2011	*2010
	$	$	$
Gross margin as per financial statements	**77,861**	96,849	87,639
Adjustment as per above	**24,331**	(13,174)	(1,279)
Adjusted gross margin	**102,192**	83,675	86,360
Results from operating activities as per financial statements	**50,604**	68,884	59,204
Adjustment as per above	**24,331**	(13,174)	(1,279)
Adjusted results from operating activities	**74,935**	55,710	57,925
Net earnings as per financial statements	**30,261**	41,854	45,214
Adjustment to cost of sales as per above	**24,331**	(13,174)	(1,279)
Adjustment for mark-to-market of finance costs	**(2,119)**	(855)	38
Adjustment for IFRS transition on option of convertible debentures	**–**	3,782	–
Deferred taxes on above adjustments	**(5,448)**	3,595	738
Adjusted net earnings	**47,025**	35,202	44,711
Net earnings per share basic, as per financial statements	**0.33**	0.47	0.52
Adjustment for the above	**0.17**	(0.07)	(0.01)
Adjusted net earnings, per share basic	**0.50**	0.40	0.51

*The financial information presented for fiscal 2010 does not reflect the impact of the adoption of IFRS

RESULTS OF OPERATIONS

Revenues

The total Canadian nutritive sweetener market, which includes both refined sugar and HFCS, is estimated to have decreased by approximately 1.2% in fiscal 2012 compared to an increase of 0.5% in fiscal 2011. We estimate that per capita sugar consumption remained stable during the year. Total sugar deliveries were slightly lower than the previous year as some manufacturers of sugar containing products moved some production outside of Canada.

	2012	2011
Revenues ($000's)	**618,093**	612,614
Volume (MT)	**641,573**	649,078

The increase in revenues in fiscal 2012 is due mainly to the sales mix with higher revenue from U.S. export sales against the U.S. quotas versus lower domestic industrial sales volume. The average cost of raw sugar was similar year over year despite higher price fluctuations in fiscal 2011.

For the year, total sales volume of 641,573 metric tonnes represented a decrease of 1.2% over the previous year. The total volume decrease of approximately 7,500 metric tonnes is due mainly to lower industrial volume of approximately 34,600 metric tonnes and lower consumer volume of approximately 3,700 metric tonnes, partially offset by higher export volume of approximately 29,900 metric tonnes and higher liquid volume of approximately 800 metric tonnes.

The increase in export sales volume of approximately 29,900 metric tonnes in fiscal 2012 was due mainly to a special refined sugar quota of 136,078 metric tonnes opened, effective October 3, 2011 by the U.S. Department of Agriculture, of which 25,000 metric tonnes was allocated directly to Canada and the balance of 111,078 metric tonnes to global suppliers on a first-come, first-served basis. The Company through its cane refineries was able to enter approximately 10,000 metric tonnes against the global quota by the time it closed on October 25, 2011. Within a very short window of opportunity an additional volume of approximately 17,600 metric tonnes of beet sugar was entered against the Canada specific quota by the date the quota closed on November 30, 2011. In addition export sales volume to Mexico and other destinations were slightly higher than the previous year.

The liquid volume increase of approximately 800 metric tonnes in fiscal 2012 is due mainly to some recovery of HFCS substitutable business.

Industrial volume was lower by approximately 34,600 metric tonnes during the year due mainly to competitive activity in that segment and to the transfer of production of sugar containing products to non-Canadian plants by certain customers.

Consumer volume was lower by approximately 3,700 metric tonnes due in large part to the decrease in retail volume by certain customers and timing in customers' retail promotions.

Gross Margins

Two major factors impact gross margins: the selling margin of the products and operating costs.

	2012	2011
Gross margin ($000's)	**77,861**	96,849
Adjusted gross margin ($000's)	**102,192**	83,675
Gross margin per metric tonne ($)	**121.36**	149.21
Adjusted gross margin per metric tonne ($)	**159.28**	128.91

As previously mentioned, the consolidated gross margin of $77.9 million in fiscal 2012 and of $96.8 million in fiscal 2011 do not reflect the adjusted net earnings of the Company, as it includes a loss of $24.3 million for fiscal 2012 and a gain of $13.2 million for fiscal 2011 due to the mark-to-market of derivative financial instruments, as well as timing differences in the recognition of any gains and losses on the liquidation of the derivative instruments. We will therefore comment on adjusted gross margin results.

The increase in the adjusted gross margin rate of $30.37 per metric tonne is due mainly to the sales mix with higher margin export sales and lower industrial sales volume at a lower margin. In addition in fiscal 2011 large premiums were paid for some of the raw sugar supply bought during the year which had a negative impact on adjusted gross margin. Normally, most raw cane sugar requirements are sourced in advance under long term contracts but in fiscal 2011 some of these long term contracts were ending and therefore some volume had to be sourced on a prompt basis, in a period when raw sugar supply was very tight. As a result, significant premiums were paid on approximately 20% of the raw sugar purchased in fiscal 2011.

Other Expenses

(In thousands of dollars)	**2012**	2011
	$	$
Administration and selling	**18,923**	20,005
Distribution	**8,334**	7,960
Net finance costs	**9,695**	15,361

Administration and selling costs were lower by approximately $1.1 million than in fiscal 2011. Lower pension costs of approximately $0.9 million, and lower legal and consultant fees of approximately $0.5 million were the major reasons for the decrease slightly offset by higher employee costs. The decrease in pension costs is due mainly to the adoption of IFRS where all unamortized actuarial losses were recognized on the transition date.

Distribution expenses in fiscal 2012 were approximately $0.4 million higher than in fiscal 2011 due mainly to shipping and warehousing costs incurred for products entered in the U.S. against the special quotas opened in fiscal 2012.

Finance costs consisted of interest paid under the revolving credit facility, as well as interest expense on the convertible unsecured subordinated debentures, and a mark-to-market gain on the interest swap agreement.

The finance costs breakdown is as follows:

(In thousands of dollars)	**2012**	2011
	$	$
Convertible debentures	**6,682**	7,611
Short term interest expense, net of income	**3,578**	3,773
Amortization of deferred financing costs	**958**	1,050
Mark-to-market of interest rate swap	**(2,119)**	(855)
Loss on early redemption of debentures	**596**	–
Net change in fair value of convertible option	**–**	3,782
Total	**9,695**	15,361

Interest on convertible debentures was approximately $0.9 million lower than in fiscal 2011 due mainly to the redemption of the third series 5.9% convertible debentures of $77.9 million in the first quarter of the year, replaced with the fifth series 5.75% convertible debentures of $60.0 million. The lower value of the convertible debentures and lower interest rate reduced total convertible debentures finance costs for the year.

Short-term interest expense was lower by approximately $0.2 million due mainly to the lower short-term borrowings during the year.

Amortization of deferred financing cost was lower by $0.1 million in fiscal 2012 due to the lower financing costs incurred and therefore amortized on the fifth series debentures than the redeemed third series convertible debentures.

A five-year interest rate swap of $70.0 million was taken in 2008 to protect the Company against interest rate fluctuations on borrowings from the revolving credit agreement. The mark-to-market unrealized gain on the swap of $2.1 million in fiscal 2012 and of $0.9 million in fiscal 2011 is due mainly to the passage of time as the previous years' mark-to-market losses are reversing as the swap is getting closer to maturity.

With the redemption of the third series debentures in December 2011, the unamortized deferred financing costs of approximately $0.8 million were expensed, which was partially offset by a gain of $0.2 million from the mark-to-market of the conversion feature for that series on the redemption date.

Under IFRS, the conversion feature in the convertible debentures, while we were operating under the income trust structure for the period of October 1, 2010 to December 31, 2010, is an embedded derivative. This derivative was fair valued at the opening and the closing of that reporting period and the net change in the fair value between each reporting period of $3.8 million was recorded as an expense in the first quarter of fiscal 2011.

Taxation

The income tax expense is as follows:

(In thousands of dollars)	**2012**	2011
	$	$
Current	**10,141**	7,804
Deferred	**507**	3,865
Total	**10,648**	11,669

Current income taxes are $2.3 million higher than in fiscal 2011, as the Company's current income tax expense of $7.8 million in fiscal 2011 was mainly for the period of January 1, 2011 to October 1, 2011 when the Company was a corporation, as compared to the twelve months of fiscal 2012. Prior to January 1, 2011, the Fund was subject to taxation on its income for the year, less the portion paid or payable to the Unitholders of the Fund. Consequently, as long as the Fund's income was paid to the Unitholders in the year received, the Fund had no to minimal taxable income.

Deferred income taxes reflect temporary differences, which result primarily from the difference between capital cost allowance claimed for tax purposes and depreciation amounts recognized for financial reporting purposes, employee future benefits and derivative financial instruments. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates anticipated to apply to income in the years in which temporary differences are expected to be realized or reversed. The effect of a change in income tax rates on future income taxes is recognized in income in the period in which the change occurs. The provision for deferred income taxes includes a deferred tax recovery of $5.4 million for fiscal 2012 for the mark-to-market adjustment as compared to an expense of $3.6 million in fiscal 2011.

Summary of Quarterly Results

The following is a summary of selected financial information of the consolidated financial statements and non-GAAP measures of the Company for each of the quarters of fiscal 2012 and 2011:

(In thousands except for volume and per share information)

QUARTERS	2012				2011			
	First	**Second**	**Third**	**Fourth**	First	Second	Third	Fourth
Volume (MT)	**172,754**	**146,494**	**157,786**	**164,539**	159,697	155,500	163,001	170,880
	$	**$**	**$**	**$**	$	$	$	$
Total revenues	**175,805**	**144,132**	**147,687**	**150,469**	151,438	149,418	150,892	160,866
Gross margin	**23,654**	**17,923**	**18,207**	**18,077**	40,019	11,686	11,637	33,507
EBIT	**16,769**	**11,583**	**11,180**	**11,072**	33,632	4,512	5,061	25,679
Net earnings	**9,880**	**6,528**	**6,909**	**6,944**	22,578	1,496	1,249	16,531
Gross margin rate per MT	**136.92**	**122.35**	**115.39**	**109.86**	250.59	75.15	71.39	196.08
Per share								
Net earnings								
Basic	**0.11**	**0.07**	**0.07**	**0.07**	0.26	0.02	0.01	0.19
Diluted	**0.10**	**0.07**	**0.07**	**0.07**	0.22	0.02	0.01	0.16
Non-GAAP measures								
Adjusted gross margin	**37,789**	**23,065**	**19,642**	**21,696**	26,545	14,007	17,637	25,486
Adjusted EBIT	**30,904**	**16,725**	**12,615**	**14,691**	20,158	6,833	11,061	17,658
Adjusted net earnings	**19,761**	**9,841**	**7,641**	**9,782**	15,637	2,799	5,847	10,919
Adjusted gross margin rate per MT	**218.74**	**157.45**	**124.49**	**131.86**	166.22	90.08	108.20	149.15
Adjusted net earnings per share								
Basic	**0.22**	**0.10**	**0.08**	**0.10**	0.18	0.03	0.07	0.12
Diluted	**0.19**	**0.10**	**0.08**	**0.10**	0.15	0.03	0.07	0.11

Historically, the first quarter (October to December) of the fiscal year is the best quarter for adjusted gross margins and adjusted net earnings, due to the favourable mix of products sold. This is explained by the increased sales of baked goods during this holiday period of the year. In addition in fiscal 2012, a special quota was opened by the U.S. which allowed the Company to sell more export volume in the first quarter of that year. Conversely, the second quarter (January to March) is historically the lowest volume quarter, resulting in lower revenues, adjusted gross margins and adjusted net earnings. In fiscal 2012, the loss of a major industrial account resulted in lower sales volume and total revenues in the second, third and fourth quarters. Adjusted gross margin rate per metric tonne was higher in fiscal 2012 due mainly to a better sales mix and to large sugar premiums paid on the purchase of raw sugar in fiscal 2011.

Fourth Quarter Results

Revenues for the quarter were lower than the previous year due to the lower volume of sales and lower price of raw sugar.

Fourth quarter volume decreased by approximately 6,400 metric tonnes compared to the same quarter of fiscal 2011. Both industrial and consumer volumes were lower in the fourth quarter of fiscal 2012 by approximately 6,200 and 2,200 metric tonnes, respectively. Industrial volume was lower due to the loss of a major contract at the start of the calendar year and to the transfer of production of some sugar containing products outside of Canada. The decrease in consumer volume was due mainly to timing in deliveries. This was partially offset with higher export sales of approximately 1,800 metric tonnes and to higher liquid volume of approximately 200 metric tonnes during the quarter, due to additional shipments to existing customers.

For the quarter, the adjusted gross margin rate was $131.86 per metric tonne as compared to $149.15 per metric tonne in fiscal 2011. The decrease of $17.29 per metric tonne was due mainly to an adjustment of approximately $2.6 million, or approximately $15.20 per metric tonne, recorded in the last quarter of fiscal 2011, as a reduction to depreciation expense, following a review of all property, plant and equipment which resulted in the extension of their useful lives. Without this adjustment the adjusted gross margin rate would have been approximately $2.09 lower due mainly to the lower consumer volume, which has a negative impact on the overall adjusted gross margin rate.

Distribution costs were comparable to the last quarter of fiscal 2011. Administration costs were lower by approximately $0.8 million compared to the same quarter in fiscal 2011 due mainly to year end adjustments to legal, doubtful accounts and incentive provision expenses.

Interest expense for the quarter was $0.9 million lower than the comparable quarter of fiscal 2011, due to a decrease of $0.2 million due to the lower borrowings on convertible debentures and to a swing of $0.7 million in the mark-to-market of the interest swap which had an income of $0.2 million in fiscal 2012 versus a loss of $0.5 million in fiscal 2011.

Liquidity

The cash flow generated by Lantic, is paid to Rogers by way of dividends and return of capital on the common shares and by the payment of interest on the subordinated notes of Lantic held by Rogers, after having taken a reasonable reserve for capital expenditures, debt reimbursement and working capital. The cash received by Rogers is used to pay administrative expenses, interest on the convertible debentures, income taxes and dividends to its shareholders. Lantic had no restrictions on distributions of cash arising from the compliance of financial covenants for the year.

Cash flow from operations was $47.8 million in fiscal 2012, as opposed to $22.9 million in fiscal 2011. In fiscal 2012, cash flow from operations was higher by $24.9 million due mainly to lower inventories of $12.7 million as compared to the previous year as a result of timing in the receipt of raw sugar vessels in Montreal, lower raw sugar values and to a later start of the Taber beet harvest campaign. In fiscal 2011 the change in inventories had a negative cash flow impact of $39.7 million for a net variance year-over-year of $52.4 million in cash flow. This was partially offset with income tax payments of $15.3 million in fiscal 2012 and lower net earnings of $11.6 million.

Capital expenditures in fiscal 2012 were higher than the previous year by approximately $1.1 million, due mainly to the completion of some major capital project expenditures and to an increase in investment capital expenditures during the year.

The cash flow requirements for the year were funded from available cash reserves and borrowings under the working capital line of credit were reduced by $10.0 million from fiscal 2011.

In order to provide additional information, the Company believes it is appropriate to measure free cash flow that is generated by the operations of the Company. Free cash flow is defined as cash flow from operations excluding changes in non-cash working capital, mark-to-market and derivative timing adjustments, financial instruments' non-cash amount, funds received or paid from the issue or purchase of shares and investment capital expenditures. Free cash flow is a new non-GAAP measure presented in connection with the conversion of the Fund to a corporation.

Free cash flow is as follows:

(In thousands of dollars)	**2012**	2011	*2010
	$	$	$
Cash flow from operations	**47,793**	22,915	83,203
ADJUSTMENTS:			
Changes in non-cash working capital	**(14,417)**	35,697	(20,337)
Changes in non-cash income taxes payable	**5,113**	(8,689)	–
Changes in non-cash interest payable	**315**	350	–
Mark-to-market and derivative timing adjustments	**22,212**	(10,247)	(1,241)
Financial instruments non-cash amount	**1,699**	5,636	(3,151)
Capital expenditures	**(9,183)**	(8,128)	(8,079)
Investment capital expenditures	**694**	175	1,713
Issue (buy back) of securities	**352**	275	808
Deferred financing charges	**(2,716)**	–	(2,365)
Free cash flow	**51,862**	37,984	50,551
Declared dividends/distributions	**32,915**	32,714	40,186

*The financial information presented for fiscal 2010 does not reflect the impact of the adoption of IFRS

Free cash flow was $13.9 million higher than the previous year. The increase is due mainly to the increase in adjusted results from operating activities of $19.2 million. This was partially offset with the payment of deferred financing charges of $2.7 million on the issuance of the fifth series debentures, the higher pension contributions and capital investments made during the year.

Changes in non-cash operating working capital, income taxes payable and interest payable represent year over-year movement in current assets, such as accounts receivable and inventories, and current liabilities, such as accounts payable. Movements in these accounts are due mainly to timing in the collection of receivables, receipts of raw sugar and payment of liabilities. Increases or decreases in such accounts are due to timing issues and therefore do not constitute free cash flow. Such increases or decreases are financed from available cash or from the Company's available credit facility of $200.0 million. Increases or decreases in short-term bank indebtedness are also due to timing issues from the above, and therefore do not constitute available free cash flow.

The combined impact of the mark-to-market and financial instruments non-cash amount of $23.9 million does not represent cash items as these contracts will be settled when the physical transactions occur, which is the reason for the adjustment to free cash flow.

Capital expenditures, net of investment capital, were higher by approximately $0.5 million in fiscal 2012, due mainly to the timing of capital expenditures during the year. Every year, the Company targets to invest approximately $7.0 million in maintenance capital expenditures.

Investment capital expenditures were higher in fiscal 2012 as additional energy savings projects were undertaken versus fiscal 2011 and due to the purchase of small sugar containing products quotas and of a retail packaging line to increase blending revenues. In fiscal 2010, the Company spent $0.6 million on a new heat recovery system in Montreal which resulted in the reduction of energy consumption in fiscal 2011. In addition, in fiscal 2010 a new beet pulp press was installed in Taber and commissioned before the start of the slicing campaign in September 2010 at a cost of $1.1 million. Again, substantial savings in energy consumption resulted in fiscal 2011. Free cash flow is not reduced by investment capital expenditures, as these projects are not necessary for the operation of the plants, but are undertaken because of the substantial operational savings that are realized once the projects are completed.

In fiscal 2012, 100,000 shares were issued under the Share Option Plan for total proceeds of approximately $0.4 million. This was netted by an amount of $9 thousand for the repurchase of third series convertible unsecured subordinated debentures. In fiscal 2011, 70,000 shares were issued under the Share Option Plan for total proceeds of approximately $0.3 million. In fiscal 2010, 200,000 units were issued under the Share Option Plan for a total cash inflow of $0.8 million.

Financing charges are paid when a new debt financing is completed and such charges are deferred and amortized over the term of that debt. The cash used in the year to pay for such fees is therefore not available and as a result deducted from free cash flow. In fiscal 2012, an amount of $2.7 million was paid for the issuance of the fifth series convertible unsecured subordinated debentures and in fiscal 2010, an amount of $2.4 million was paid for the issuance of the fourth series convertible unsecured subordinated debentures.

Contractual obligations

The following table identifies the outstanding contractual obligations of the Company as at year-end, and the effects such obligations are expected to have on liquidity and cash flow over the next few years:

(In thousands of dollars)	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	$	$	$	$	$
Short-term borrowing	**60,000**	**60,000**	–	–	–
Interest on convertible debentures	**34,626**	**6,300**	**12,600**	**11,413**	**4,313**
Interest based on swap agreement	**2,103**	**2,103**	–	–	–
Finance lease obligations	**115**	**69**	**46**	–	–
Operating leases	**3,061**	**1,682**	**1,021**	**284**	**74**
Purchase obligations	**41,517**	**41,517**	–	–	–
Derivative financial instruments	**103,008**	**87,455**	**15,553**	–	–
	244,430	**199,126**	**29,220**	**11,697**	**4,387**
Purchase obligations (in metric tonnes)	**834,000**	**537,000**	**297,000**	–	–

Lantic has a five-year revolving credit facility with a syndicate of Canadian banks for $200.0 million which comes due June 30, 2013. At year-end, a total of $60.0 million had been borrowed under short-term bankers' acceptances under that facility. These short-term borrowings will be rolled under the available credit facility.

The fourth and fifth series convertible unsecured subordinated debentures, in the amount of $50.0 and $60.0 million respectively, maturing in April 2017 and December 2018, have been excluded from the above table due to the holders' conversion option and the Company's option to satisfy the obligations at redemption or maturity in shares. Interest has been included in the above table to the date of maturity.

The Company entered into a five-year swap agreement at a rate of 4.005% for $70.0 million with a syndicate of Canadian banks. The swap ends June 30, 2013. The interest payments that will be incurred on the future borrowings related to this swap agreement are reflected in the above table.

Finance and operating lease obligations relate mainly to the leasing of moveable equipment.

Purchase obligations represent all open purchase orders as at year-end and approximately $35.7 million for sugar beets that will be harvested and processed in fiscal 2013 and exclude any raw sugar priced against futures contracts.

A significant portion of the Company's sales is made under fixed-price, forward-sales contracts, which extend up to two years. The Company also contracts to purchase raw cane sugar substantially in advance of the time it delivers the refined sugar produced from

the purchase. To mitigate its exposure to future price changes, the Company attempts to manage the volume of refined sugar sales contracted for future delivery in relation to the volume of raw cane sugar contracted for future delivery, when feasible.

The Company uses derivative instruments to manage exposures to changes in raw sugar prices, natural gas prices and foreign exchange. The Company's objective for holding derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of these exposures.

To reduce price risk, the Company's risk management policy is to manage the forward pricing of purchases of raw sugar in relation to its forward refined sugar sales. The Company attempts to meet this objective by entering into futures contracts to reduce its exposure. Such financial instruments are used to manage the Company's exposure to variability in fair value attributable to the firm commitment purchase price of raw sugar.

The Company has hedged all of its exposure to raw sugar price risk movement through October 2014.

At year-end, the Company had a net long sugar position of $52.2 million in net contract amounts with a current net contract value of $54.2 million. This is offset by a larger volume of sugar priced with customers than purchases priced from suppliers.

The Company uses futures contracts and swaps to help manage its natural gas costs. At year-end, the Company had $19.8 million in natural gas derivatives, with a current contract value of $14.1 million.

The Company's activities, which result in exposure to fluctuations in foreign exchange rates, consist of the purchasing of raw sugar, the selling of refined sugar and the purchasing of natural gas. The Company manages this exposure by creating offsetting positions through the use of financial instruments. These instruments include forward contracts, which are commitments to buy or sell at a future date, and may be settled in cash.

The credit risk associated with foreign exchange contracts arises from the possibility that counterparties to a foreign exchange contract in which the Company has an unrealized gain fails to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange rates attributable to the principal amount.

Forward foreign exchange contracts have maturities of less than two years and relate exclusively to U.S. currency. The counterparties to these contracts are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

At year-end, the Company had a net $29.0 million in foreign currency forward contracts with a current contract value of $27.5 million.

As part of its normal business practice, the Company also enters into multi-year supply agreements with raw sugar processors for raw cane sugar. Contract terms will state the quantity and estimated delivery schedule of raw sugar. The price is determined at specified periods of time before such raw sugar is delivered based upon the value of raw sugar as traded on ICE #11 world raw sugar. At the end of fiscal 2012, the Company had commitments to purchase a total of 834,000 metric tonnes of raw sugar, of which only 95,000 metric tonnes had been priced, for a total dollar commitment of $45.6 million.

The Company has no other off-balance sheet arrangements, except for unfunded pension benefit plans.

CAPITAL RESOURCES

Lantic has $200.0 million as an authorized line of credit available to finance its operations. This line of credit expires in June 2013. Management is confident that the line of credit can be renewed at competitive market rates. At year-end, $60.0 million had been drawn from the working capital facility and $27.9 million in cash was also available.

The Taber beet operation requires seasonal working capital in the first half of the fiscal year, when inventory levels are high and a substantial portion of the payments due to the Growers is made. Lantic has sufficient cash and availability under its line of credit to meet such requirements.

The operating Company has approved for future commitments approximately $4.3 million for completing capital expenditures presently in progress. With this carry-forward, total maintenance and investment capital expenditures for fiscal 2013 should be approximately $10.0 million.

The Company also has funding obligations related to its employee future benefit plans, which include defined benefit pension plans. As at September 29, 2012, all of the Company's registered defined

benefit pension plans were in a deficit position. The total deficit was estimated at approximately $57.9 million. The Company monitors its pension plan assets closely and follows strict guidelines to ensure that pension fund investment portfolios are diversified in line with industry best practices. Nonetheless, pension fund assets are not immune to market fluctuations and, as a result, the Company may be required to make additional cash contributions in the future. In fiscal 2012, cash contributions to defined benefit pension plans increased by approximately $1.0 million to $7.9 million. For more information regarding the Company's employee future benefits, please refer to Note 19 of the consolidated financial statements.

Cash requirements for working capital and other capital expenditures are expected to be paid from available cash resources and funds generated from operations. Management believes that the unused credit under the revolving facility is adequate to meet any future cash requirements.

OUTSTANDING SECURITIES

A total of 94,090,760 shares were outstanding as at September 29, 2012. During the year, a total of 100,000 shares were exercised under the Share Option Plan. In addition, 5,148,427 shares were issued following the conversion of $26.3 million of the third series 5.9% convertible unsecured subordinated debentures.

As at November 21, 2012, 94,090,760 shares were outstanding.

On December 16, 2011, the Company issued $60.0 million of fifth series 5.75% convertible unsecured subordinated debentures, maturing December 31, 2018, with interest payable semi-annually in arrears on June 30 and December 31 of each year, starting June 29, 2012. The fifth series debentures may be converted at the option of the holder at a conversion price of $7.20 (representing 8,333,333 shares) per share at any time prior to maturity, and cannot be redeemed prior to December 31, 2014. On or after December 31, 2014 and prior to December 31, 2016, the fifth series debentures may be redeemed by the Company only if the weighted average trading price of the share, for 20 consecutive trading days, is at least 125% of the conversion price of $7.20. Subsequent to December 31, 2016, the fifth series debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

On December 19, 2011, some of the net proceeds from the issuance of the fifth series debentures were used to redeem the 5.9% third series convertible debentures of $51.7 million plus accrued interest.

On April 8, 2010, the Company issued $50.0 million of fourth series 5.7% convertible unsecured subordinated debentures, maturing April 30, 2017, with interest payable semi-annually in arrears on April 30 and October 31 of each year, starting October 31, 2010. The fourth series debentures may be converted at the option of the holder at a conversion price of $6.50 per share (representing 7,692,308 shares) at any time prior to maturity. On or after April 30, 2013 and prior to April 30, 2015, the fourth series debentures may be redeemed by the Company only if the weighted average trading price of the share, for 20 consecutive trading days, is at least 125% of the conversion price of $6.50. Subsequent to April 30, 2015, the fourth series debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

In fiscal 2005, the Fund established a Unit Option Plan. On January 1, 2011 all options outstanding under the Unit Option Plan were transferred to a Share Option Plan of the new corporation on a one-for-one basis. The Company reserved and set aside for issuance a total of 850,000 shares to be allocated to key personnel. At September 30, 2005, a total of 350,000 shares had been allocated to two senior executives. These shares were priced at $4.33 per share, representing the average market price for the five business days before the granting of the options to the two senior executives. A further 400,000 shares were allocated on October 24, 2005 to the new President and CEO of Lantic. These shares were priced at $3.61 per share, representing the average market price for the five business days before the granting of the options to the President and CEO. On December 17, 2009, 100,000 shares were granted to a senior executive. These shares were priced at $4.70 per share representing the average market price for the five business days before the grant of the options. These shares are exercisable to a maximum of twenty percent per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. In fiscal 2012, a total of 100,000 shares were exercised while 70,000 shares were exercised in fiscal 2011. Upon termination, resignation, retirement, death or long-term disability, all shares granted under the Share Option Plan not vested are forfeited. Further to the departure of a senior executive in fiscal 2011, a total of 80,000 shares, priced at $4.70, were forfeited while a further 150,000 shares priced at $4.33, were forfeited in fiscal 2008 following the departure of another senior executive. On March 19, 2012, the 230,000 forfeited shares were allocated at a price of $5.61 to certain executives subject to the approval of the shareholders to amend the Share Option Plan eligible person definition to include all senior personnel at the next Annual General Meeting.

With the conversion of the Fund to a corporation on January 1, 2011, the stated capital of Rogers was reduced by the accumulated deficit as at December 31, 2010, of $276.5 million to $284.1 million. In addition following a Special Resolution passed by Rogers's shareholders at the February 1, 2011 shareholders meeting, the stated capital was reduced by a further $200.0 million, to $84.1 million.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with GAAP requires us to make estimates and judgements that affect the reported amounts of assets and liabilities, net revenue and expenses, and the related disclosures. We base our estimates on historical experience, knowledge of economics and market factors, and various other assumptions that we believe to be reasonable under the circumstances.

Goodwill Valuation

We test goodwill for possible impairment on an annual basis, and at any other time if events occur or circumstances indicate that the carrying amount of goodwill may not be recoverable.

The impairment test consists of comparing the carrying amount of each reporting unit to its fair value, which is calculated using the reporting unit's market capitalization and discounted cash flow. When the fair value exceeds the carrying amount, goodwill is considered not to be impaired.

There was no impairment in goodwill in fiscal 2012.

Deferred Income Taxes

We regularly assess the likelihood that our deferred tax assets will be realized from recoverable income taxes or recovered from deferred taxable income, and we record a valuation allowance to reduce our deferred income tax assets to the amount that we believe to be more likely than not realizable.

Defined Benefit Pension Plans and Employees' Future Benefits

The plan obligations and related assets of the defined benefit and medical retirement plans are presented in Note 19 to the consolidated financial statements. Plan assets, equity and debt investments are valued using market quotations. Plan obligations and annual pension expenses are determined by independent actuaries and are based in part on a number of assumptions we provide. Key assumptions in measuring the plan obligations include the discount rate, the rate of salary increases, the long-term health care trend rate, mortality rates and the estimated future return on plan assets.

The next actuarial valuations are scheduled for December 31, 2012 for three of the four defined benefit pension plans. The actuarial valuation for the other plan is scheduled for December 31, 2013.

In the current volatile financial environment, return on plan assets may vary from historical plan performance. This, combined with the discount rate used in assessing plan liabilities, may significantly increase pension plan expenses in future years.

Depreciation

Estimated useful lives of property, plant and equipment is based on management's judgments and assumptions about the physical useful lives of the assets and the economic life, the maintenance of the asset and the method by which the asset depreciates.

CHANGES IN ACCOUNTING PRINCIPLES AND PRACTICES NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective for fiscal 2012 and have not been applied in preparing the financial statements. The Company will continue evaluating the impact that these standards will have on its results of operations and financial position.

IFRS 9 *Financial Instruments* – The standard will replace IAS 39, Financial Instruments: Recognition and Measurement with a proposed single model for only two classification categories: amortized cost and fair value. The standard is currently required to be adopted for annual periods beginning January 1, 2015. The extent of the impact on the financial statements of the Company has not yet been determined.

IFRS 10 *Consolidated Financial Statements* – This standard provides additional guidance to determine whether an entity should be included within the consolidated financial statements of the Company. The standard is required to be adopted for annual periods beginning January 1, 2013. The extent of the impact on the financial statements of the Company has not yet been determined.

IFRS 13 *Fair Value Measurement* – This standard provides new guidance on fair value measurement and disclosure requirements. This standard is required to be adopted for annual periods beginning January 1, 2013. The extent of the impact on the financial statements of the Company has not yet been determined.

IAS 19 *Employee Benefits* – This standard includes the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and the introduction of enhanced disclosures for defined benefit plans. This standard is effective for annual periods beginning January 1, 2013. The extent of the impact on the financial statements of the Company has not yet been determined.

ENVIRONMENT

The Company's policy is to meet all applicable government requirements with respect to environmental matters. Management believes that the Company is in compliance in all material respects with environmental laws and regulations.

The Vancouver facility has a lengthy history of industrial use, and fill materials have been used on the property in the normal course of business. No assurance can be given that material expenditures will not be required in connection with contamination from such industrial use or fill materials.

The Montreal facility has a lengthy history of industrial use. Contamination has been identified on a vacant property acquired in 2001, and Lantic has been advised that additional soil and ground water contamination is likely to be present. Given the industrial use of the property, and the fact that Lantic does not intend to change the use of that property in the future, Lantic does not anticipate any material expenditures being required in the short term to deal with this contamination, unless off-property impacts are discovered or parking lot expansion requires containment or disposal of contamination.

Although the Company is not aware of any specific problems at its Toronto distribution centre, no assurance can be given that expenditures will not be required to deal with known or unknown contamination at the property or other facilities or offices currently or formerly owned, used or controlled by Lantic.

The Company's currently inactive subsidiary, Chatterton Petrochemical Corporation ("Chatterton") previously managed the production and sale of specialty chemicals in Canada. Kalama Chemical, Inc. ("Kalama"), a former subsidiary of Rogers Sugar Ltd. ("RSL") (which is one of Lantic's predecessors) previously managed the production and sale of specialty chemicals in the United States. Chatterton ceased operations in June 1992 and Chatterton's property was transferred to Lantic Real Property Limited Partnership ("Lantic Realco") in 1998. Kalama was sold in May 1994.

On October 8, 1997, OMI Lantic Holdings and BAI Lantic Holdings (collectively "Lantic Holdings Companies") and Lantic Realco provided a joint and several indemnity in favour of RSL against any claim imposing liability under environmental law resulting from the presence, discharge, release or threatened release of any hazardous substance at three Kalama properties, at four U.S. "superfund" sites involving Kalama, or at a British Columbia property formerly owned by Chatterton, and any claims relating to environmental matters arising under the Kalama sale agreement. In arrangements entered into in fiscal 2000, Lantic Realco agreed that, prior to the completion of the cleanup of the Chatterton property and the termination or defeasance of the obligations of RSL with respect to environmental matters under the Kalama sale agreement, (i) it would not use its assets except for specified purposes, including remediation of the properties related to Kalama and Chatterton, and (ii) upon the sale of the Chatterton property, it would deposit $11.3 million in a trust fund to be used solely to satisfy Lantic Realco's obligations to pay amounts to RSL under the indemnity. After the said cleanup and termination or defeasance, Lantic Realco may reduce the said trust to $4.0 million to be held for the same purposes unless released by the Lantic Board of Directors. The cleanup of the Chatterton property has been ongoing but completion has not yet occurred.

RSL' liability for environmental matters under the Kalama sale agreement was terminated as a result of a settlement completed on June 30, 2008.

Management continues to monitor estimates of the cost to clean up the Chatterton property. Under a settlement reached with a former owner of the Chatterton property, the former owner released its claim to recover the 50% of cleanup costs it had paid, and paid $1.5 million in escrow to be available to Lantic Realco upon the conclusion of the cleanup of the Chatterton property. In that settlement, the former owner was released by RSL, Chatterton, the Lantic Holdings Companies, Lantic Realco and its affiliates from substantially all further environmental liability relating to the Chatterton property and was indemnified by Lantic Realco and an affiliate of Lantic Realco from such liability.

The Lantic Holdings Companies also obtained for RSL in 1997 a $50.0 million insurance policy to cover 90% of the cleanup costs in excess of the cleanup cost estimated in 1997 for each of the three Kalama properties, the four Kalama "superfund" sites and the

Chatterton property. The insurance policy continues to apply for the Chatterton property. No claim has been made for the Chatterton property, as cleanup costs for this site have not exceeded the cleanup cost estimated at the time the insurance was acquired.

With the environmental indemnity from Lantic Realco and recourse to the other funding sources referenced above, Lantic's management believes Lantic has no significant risk of material loss or expense as a result of historic environmental issues relating to the Kalama or Chatterton properties.

RISK FACTORS

The Company's business and operations are substantially affected by many factors, including prevailing margins on refined sugar and its ability to market sugar competitively, sourcing of raw material supplies, weather conditions, operating costs and government programs and regulations.

Dependence Upon Lantic

Rogers is entirely dependent upon the operations and assets of Lantic through its ownership of securities of this company. Accordingly, interest payments to debenture holders and dividends to shareholders will be dependent upon the ability of Lantic to pay its interest obligations under the subordinated notes and to declare and pay dividends on or return capital in respect of the common shares. The terms of Lantic's bank and other indebtedness may restrict its ability to pay dividends and make other distributions on its shares or make payments of principal or interest on subordinated debt, including debt which may be held, directly or indirectly, by Rogers, in certain circumstances. In addition, Lantic may defer payment of interest on the subordinated notes at any given time for a period of up to 18 months.

Fluctuations in Margins and Foreign Exchange

The Company's profitability is principally affected by the margins on domestic refined sugar. In turn, this price is affected by a variety of market factors such as competition, government regulations and foreign trade policies. The Company, through the U.S. specific quota, normally sells approximately 10,300 metric tonnes (increased to 12,000 metric tonnes in fiscal 2012) of refined sugar per year in the U.S. and also sells beet pulp to export customers in U.S. dollars. The Company's Taber sugar sales in Canada are priced against the #11 world raw sugar market, which trades in U.S. dollars, while the sugar derived from the sugar beets is paid for in Canadian dollars to the Growers. Fluctuations in the Canadian dollar will impact the profitability of these sales. Except for these sales, which currently can only be supplied by the Company's Taber beet plant, and sales to the U.S. under other announced specific quotas or under extraordinary circumstances like the one that occurred in the fall of 2011, most sales are in Canada and have little exposure to foreign exchange movements.

Fluctuations in Raw Sugar Prices

Raw sugar prices are not a major determinant of the profitability of the Company's cane sugar operations, as the price at which sugar is both purchased and sold is related to the world raw sugar price and all transactions are hedged. In a market where world raw sugar is tight due to lower production, significant premiums may be charged on nearby deliveries which would have a negative impact on the adjusted gross margins of the cane operations. The world raw sugar price can, however, impact the profitability of the Company's beet operations. Sugar derived from beets is purchased at a fixed price, plus a scale incentive when sugar prices rise over a certain level, and the selling price of domestic refined sugar rises or falls in relation to the world raw sugar prices.

A relatively high world raw sugar price will also reduce the competitive position of liquid sugar in Canada as compared to HFCS which could result in the loss of HFCS-substitutable business for Lantic.

Security of Raw Sugar Supply

There are over 160 million metric tonnes of sugar produced worldwide. Of this, approximately 35 million metric tonnes of raw cane sugar are traded on the world market. The Company, through its cane refining plants, buys approximately 0.6 million metric tonnes of raw sugar per year. Even though worldwide raw supply is much larger than the Company's yearly requirements, concentration of supply in certain countries like Brazil, combined with the increase in cane refining operations in emerging countries, may create tightness in raw sugar availability at certain times of the year. To prevent any raw sugar supply shortage, the Company normally enters into long-term supply contracts with reputable suppliers. For raw sugar supply not under contract, significant premiums may be paid on the purchase of raw sugar on a nearby basis, which may negatively impact adjusted gross margins.

The availability of sugar beets to be processed in Taber, Alberta is dependent on a supply contract with the Growers, and on the Growers planting the necessary acreage every year. In the event that sufficient acreage is not planted in a certain year, or that the Company and the Growers cannot agree on a supply contract, sugar beets might not be available for processing, thus requiring transfer of products

from the Company's cane refineries to the Prairie market, normally supplied by Taber. This would increase the Company's distribution costs and may have an impact on the adjusted gross margin rate per metric tonne sold.

Weather and Other Factors Related to Production

Sugar beets, as is the case with most other crops, are affected by weather conditions during the growing season. Additionally, weather conditions during the processing season could affect the Company's sugar extraction of beets stored for processing. A significant reduction in the quantity or quality of sugar beets harvested due to adverse weather conditions, disease or other factors could result in decreased production, with negative financial consequences to Lantic.

Competition

The Company faces domestic competition from Redpath Sugar Ltd. and smaller regional distributors of both foreign and domestic refined sugar. Differences in proximity to various geographic areas within Canada and elsewhere result in differences in freight and shipping costs, which in turn affect pricing and competitiveness in general.

In addition to sugar, the overall sweetener market also includes: corn-based sweeteners, such as HFCS, an alternative liquid sweetener, which can be substituted for liquid sugar in soft drinks and certain other applications; and non-nutritive, high intensity sweeteners such as aspartame and sucralose. Differences in functional properties and prices have tended to define the use of these various sweeteners. For example, HFCS is limited to certain applications where a liquid sweetener can be used. Non-nutritive sweeteners are not interchangeable in all applications. The substitution of other sweeteners for sugar has occurred in certain products, such as soft drinks. We are not able to predict the availability, development or potential use of these sweeteners and their possible impact on the operations of the Company.

Operating Costs

Lantic uses large quantities of energy, principally natural gas, in its operations. Moreover, the Company's beet plant in Taber, Alberta uses larger quantities of energy in its operations than the cane facilities in Vancouver and Montreal, principally as a result of the need to heat the cossettes (slices of sugar beets) to evaporate water from juices containing sugar, and to dry the wet beet pulp. Changes in the costs and sources of energy may affect the financial results of the Company's operations. In addition, all natural gas purchased is priced in U.S. dollars. Therefore, fluctuations in the Canadian/U.S. dollar exchange rate will also impact the cost of energy. Lantic hedges a portion of its natural gas price exposure through the use of natural gas contracts to lessen the impact of fluctuations in the price of natural gas.

Government Regulations and Foreign Trade Policies

In July 1995, Revenue Canada made a preliminary determination that there was dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom, the Netherlands and the Republic of Korea into Canada, and that subsidized refined sugar was being imported into Canada from the United States and European Union ("EU"). The Canadian International Trade Tribunal ("CITT") conducted an enquiry and on November 6, 1995 ruled that the dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom and the Netherlands as well as the subsidizing from the EU was threatening material injury to the Canadian sugar industry. The ruling resulted in the imposition of duties by Revenue Canada.

Under Canadian laws, these duties must be reviewed every five years. On November 3, 2000, on November 2, 2005, and on November 1, 2010, the CITT continued for a further five years the anti-dumping duties imposed on imports of refined sugar from the United States but, in November 2010, removed the anti-dumping and countervailing duties on refined sugar imports from the EU.

As a result of this decision, on December 1, 2010, the Canadian Sugar Institute ("CSI") filed an application with the Federal Court of Appeal for judicial review of the decision requesting that the matter be referred back to the CITT to reconsider the evidence. On May 30, 2012, the Federal Court of Appeal allowed the application for judicial review, set aside the November 1, 2010 order with respect to the EU and returned the matter to the CITT for reconsideration. On June 18, 2012, the CITT recommenced the expiry review and after a reconsideration of the evidence, issued a new order on September 28, 2012, reinstating the antidumping and countervailing duties on imports of EU refined sugar.

The duties on imports of U.S. and EU refined sugar are important to Lantic and to the Canadian refined sugar industry in general because they protect the market from the adverse effect of unfairly traded imports from these sources. The price support and trade distorting attributes of the U.S. and EU sugar regimes have not materially changed the factors that originally led to the original CITT decision and the importance of continuing these duties. There is no assurance that in 2015 these duties will be continued for a further five years.

The Canadian Government continues to be engaged in a number of bilateral free trade agreement ("FTA") negotiations. One of the first FTAs to have a significant impact on the Canadian sugar industry was the FTA negotiated with Costa Rica, which included the phase-out of Canada's $31 per tonne duty on imports of refined sugar to Canada. Since January 1, 2011, Costa Rica has had duty-free access to Canada for refined sugar while Lantic and the other major Canadian refiner did not receive meaningful access to the Costa Rican market. Given the impacts of this agreement and strong objection of Canada's sugar industry, the Government of Canada continues to take the specific concerns of the industry into account to ensure that this agreement does not serve as a model for future negotiations.

In 2008, as part of its new "Global Commerce Strategy," the Canadian government announced a strengthened focus on regional and bilateral trade negotiations, including the expansion of Canada's bilateral trade network with countries in South and Central America. Lantic has been actively supporting the work of the CSI in informing government officials and politicians of the threat to Canada's sugar industry of such trade agreements. Of particular concern is the threat of imports from surplus sugar producers such as in South and Central America where there is no commercial export opportunity for Canadian refined sugar.

On August 15, 2011, Canada and Colombia implemented an FTA. Since Colombia is a large surplus sugar producer, this FTA includes a very gradual phase-out of sugar tariffs (17 years), avoiding the immediate negative effects of a duty-free quota on the Canadian sugar industry. The refining of sugar does not confer origin in this FTA so Canadian refiners do not expect to realize any exports to Colombia. FTAs have also been concluded with smaller sugar producing countries in Latin America, including Honduras, Peru and Panama. These agreements include transitional tariff phase-outs or small, reciprocal quotas with annual growth. Negotiations with other Central American countries are expected to resume in the future.

Other significant FTA negotiations include the Canada-EU FTA ("CETA"), Trans Pacific Partnership ("TPP"), Canada-Japan and Canada-India. All of these agreements involve significant input from the CSI and the Canadian sugar refiners to ensure the long-term stability of the Canadian refined sugar industry.

The Government of Canada has continued to make the CETA negotiations a priority with the aim to conclude negotiations by 2012. The CSI and the Canadian sugar refiners have continued to emphasize the trade distorting nature of the EU sugar program which generates surplus sugar for export while maintaining prohibitive import barriers. The CSI and the Canadian sugar refiners are working with Canada's trade negotiators to ensure this trade imbalance is not worsened in the CETA and to seek meaningful gains in exports of Canadian sugar and sugar-containing products, currently prevented by prohibitive tariffs and restrictive EU rules of origin.

On October 9, 2012, Canada joined the TPP negotiations which include 10 other countries, being Australia, Brunei, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam. The Canadian sugar industry welcomes Canada's participation in the TPP which has the potential to address market access barriers for sugar and sugar-containing products among TPP members. The TPP countries are extremely diverse in terms of sugar policies and trade but collectively represent an important opportunity to advance trade in refined sugar and sugar-containing products.

The Company continues to remain concerned that the inclusion of refined sugar in the various regional and bilateral negotiations may result in substantial new duty-free imports from these countries, while not providing any offsetting export market opportunities. The only real potential for significant, long-term export gains is through a global agreement through the World Trade Organization (WTO). The WTO Doha round negotiations have been on hold since July 2008 with no specific date for conclusion. The CETA and TPP negotiations provide the best medium term prospect of improved export opportunity for the Canadian sugar industry.

Employee Relations

The majority of the Company's operations are unionized.

The Montreal and Vancouver collective agreements with respect to the unionized employees of the Montreal and Vancouver cane refineries both expire on February 28, 2013. There can be no assurance that new agreements will be reached with the union of each refinery, or that the terms of such agreements will be similar to the terms of the current agreements.

Strikes or lock-outs in future years could restrict the ability of Lantic to service its customers in the affected regions, consequently affecting the Company's revenues.

Food Safety and Consumer Health

The Company is subject to risks that affect the food industry in general, including risks posed by accidental contamination, product tampering, consumer product liability, and the potential costs and

disruptions of a product recall. Lantic actively manages these risks by maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems and by maintaining prudent levels of insurance.

The Company's facilities are subject to audit by federal health agencies in Canada and similar institutions outside of Canada. The Company also performs its own audits designed to ensure compliance with its internal standards, which are generally at, or higher than, regulatory agency standards in order to mitigate the risks related to food safety.

Environmental Matters

The operations of Lantic are subject to environmental regulations imposed by federal, provincial and municipal governments in Canada, including those relating to the treatment and disposal of waste water and cooling water, air emissions, contamination and spills of substances. Management believes that the Company is in compliance in all material respects with environmental laws and regulations. However, these regulations have become progressively more stringent and Lantic anticipates this trend will continue, potentially resulting in the incurrence of material costs to achieve and maintain compliance. Violation of these regulations can result in fines or other penalties, which in certain circumstances can include cleanup. As well, liability to characterize and clean up or otherwise deal with contamination on or from properties owned, used or controlled by the Company currently or in the past can be imposed by environmental regulators or third parties. No assurance can be given that any such liabilities will not be material.

Income Tax Matters

The income of the Company must be computed and is taxed in accordance with Canadian tax laws, all of which may be changed in a manner that could adversely affect the amount of dividends. There can be no assurance that taxation authorities will accept the tax positions adopted by the Company including the determination of the amounts of federal and provincial income which could materially adversely affect dividends.

The current corporate structure involves a significant amount of inter-company or similar debt, generating substantial interest expense, which reduces earnings and therefore income tax payable at Lantic's level. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed against Lantic, it could materially adversely affect the amount of cash transferred to Rogers for dividend payment. Management believes that the interest expense inherent in the structure is supportable and reasonable in light of the terms of the debt owed by Lantic to Rogers.

Management and Operation of Lantic

The Board of Directors of Lantic is currently controlled by Lantic Capital, an affiliate of Belkin Enterprises. As a result, holders of shares have limited say in matters affecting the operations of Lantic; if such holders are in disagreement with the decisions of the Board of Directors of Lantic, they have limited recourse. The control exercised by Lantic Capital over the Board of Directors of Lantic may make it more difficult for others to attempt to gain control of or influence the activities of Lantic and the Company.

OUTLOOK

In fiscal 2012, the Company benefitted from a special quota opened by the Secretary of Agriculture of the United States, against which approximately 27,600 metric tonnes were shipped in fiscal 2012. With the current U.S. and Mexico crop outlooks it appears that no special quota will open in fiscal 2013 and therefore export sales could be significantly lower in fiscal 2013. The Company will continue to investigate other export opportunities similar to those developed several years ago in Mexico, in order to provide additional more stable export opportunities for our products.

In fiscal 2012, approximately 30,000 metric tonnes of industrial and liquid volume was lost following the negotiation of key customer contracts in December 2011 and to the transfer of sugar containing products to non-Canadian plants by certain customers. As most large customers' contract negotiations were concluded by the time the Company was notified of that volume lost, such volume could not be replaced in fiscal 2012. However, the Company has already contracted additional volume with existing and new accounts for fiscal 2013, as winning back domestic volume remains a high priority.

The total sweetener market decreased slightly this past year but we believe this trend will not continue over the next number of years as the market should revert to a small percentage increase every year, in-line with the population increase. The reduction in fiscal 2012 was more a reflection of some manufacturing of sugar related products moving out of Canada underlining our belief that this trend will not continue. In addition the price of corn has reached new highs in the last number of months. This could have a positive impact as some HFCS substitutable business may switch to liquid sucrose if high corn prices prevail and if raw sugar values are more stable in the future.

The harvest and beet slicing campaign in Taber started in the second half of September. Early indications are favourable as the yield per acre harvested and the extraction rate achieved to date are superior than forecast. Taber's beet crop acreage, currently being harvested, is approximately 30,500 acres and if current harvesting conditions continue, we should derive approximately 105,000 tonnes of beet sugar for fiscal 2013, higher than the sales forecast for the domestic market normally supplied from Taber and for the exports sales under the U.S. Canada specific quota and to Mexico. If other export or domestic opportunities do no occur, Taber will have to warehouse, until next year, some beet sugar, which would increase total distribution costs.

Less than half of fiscal 2013's natural gas requirements have been hedged at average prices comparable to those realized in fiscal 2012. Any un-hedged volume should benefit from the current low prices of natural gas and therefore increase the adjusted gross margin rate. In addition, futures positions for fiscal 2014 to 2015 have been taken. Some of these positions are at prices higher than the current market values, but are at the same or better levels than what was achieved in fiscal 2012. We will continue to monitor natural gas market dynamics with the objective of minimizing natural gas costs.

In the current financial environment, return on pension plan assets may vary from historical plan performance. This, combined with the discount rate used in assessing the plan liabilities, may impact pension plan expenses in future years. The pension cash contributions were increased following this year's actuarial valuations and may increase in the future as and when new actuarial valuations are done.

Responsibility for Financial Reporting

THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS OF ROGERS SUGAR INC. AND ALL THE INFORMATION IN THIS ANNUAL REPORT PERTAINING TO THE CORPORATION ARE THE RESPONSIBILITY OF THE ADMINISTRATOR AND HAVE BEEN APPROVED BY THE BOARD OF DIRECTORS.

The consolidated financial statements have been prepared by the Administrator in accordance with International Financial Reporting Standards by applying the detailed accounting policies set out in the notes to the financial statements. The Administrator is of the opinion that the consolidated financial statements were prepared based on reasonable and material criteria and using justifiable and reasonable estimates. The Administrator has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements of the Corporation.

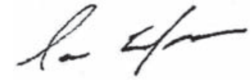
The Administrator maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that the Administrator fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements of the Corporation. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and all of its members are outside and unrelated directors. The committee meets with the Administrator, as well as external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The committee reports its findings to the Board for consideration when approving the financial statements for issuance to the Shareholders. The committee also considers, for review by the Board and approval by the Shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements of the Corporation have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Shareholders. KPMG LLP has full and free access to the Audit Committee.

Edward Makin
President and Chief
Executive Officer
Lantic Inc., Administrator



Daniel L. Lafrance
Senior Vice-President Finance
and Procurement,
Chief Financial Officer
and Secretary
Lantic Inc., Administrator

November 21, 2012

Independent Auditor's Report

TO THE SHAREHOLDERS OF ROGERS SUGAR INC.

WE HAVE AUDITED THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS OF ROGERS SUGAR INC., WHICH COMPRISETHE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT SEPTEMBER 29, 2012, OCTOBER 1, 2011 AND OCTOBER 1, 2010, THE CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME, CHANGES IN SHAREHOLDERS' EQUITY AND CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 29, 2012 AND OCTOBER 1, 2011, AND NOTES, COMPRISING A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

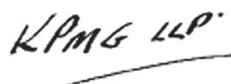
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rogers Sugar Inc. as at September 29, 2012, October 1, 2011 and October 1, 2010, its consolidated financial performance and its consolidated cash flows for the years ended September 29, 2012 and October 1, 2011 in accordance with International Financial Reporting Standards.



November 21, 2012
Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A109612

Consolidated Statements of Earnings and Comprehensive Income

(In thousands of dollars except per share amounts)

Consolidated statements of earnings	For the years ended **September 29, 2012**	October 1, 2011
	$	$
Revenues (note 31)	**618,093**	612,614
Cost of sales	**540,232**	515,765
Gross margin	**77,861**	96,849
Administration and selling expenses	**18,923**	20,005
Distribution expenses	**8,334**	7,960
	27,257	27,965
Results from operating activities	**50,604**	68,884
Net finance costs (note 5)	**9,695**	15,361
Earnings before income taxes	**40,909**	53,523
Income tax expense (note 6):		
Current	**10,141**	7,804
Deferred	**507**	3,865
	10,648	11,669
Net earnings	**30,261**	41,854
Net earnings per share (note 26):		
Basic	**0.33**	0.47
Diluted	**0.32**	0.43

Consolidated statements of comprehensive income	For the years ended **September 29, 2012**	October 1, 2011
	$	$
Net earnings	**30,261**	41,854
Other comprehensive income (loss)		
Defined benefit actuarial losses	**(7,030)**	(10,843)
Income tax on other comprehensive loss (note 6)	**1,813**	2,477
	(5,217)	(8,366)
Net earnings and comprehensive income for the period	**25,044**	33,488

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Financial Position

(In thousands of dollars)

	September 29, 2012	October 1, 2011	October 1, 2010
	$	$	$
ASSETS			
Current assets:			
Cash and cash equivalents	**27,895**	25,326	38,781
Trade and other receivables (note 7)	**51,071**	57,848	56,718
Income taxes recoverable	**760**	–	1,513
Inventories (note 8)	**78,286**	91,033	51,358
Prepaid expenses	**1,689**	2,204	1,885
Derivative financial instruments (note 9)	**–**	2,541	24
Total current assets	**159,701**	178,952	150,279
Non-current assets			
Property, plant and equipment (note 10)	**180,132**	183,765	188,082
Intangible assets (note 11)	**2,347**	1,795	838
Other assets (note 12)	**142**	472	510
Deferred tax assets (note 13)	**21,778**	19,957	21,739
Derivative financial instruments (note 9)	**15**	189	1
Goodwill (note 14)	**229,952**	229,952	229,952
Total non-current assets	**434,366**	436,130	441,122
Total assets	**594,067**	615,082	591,401
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Revolving credit facility (note 15)	**60,000**	–	–
Trade and other payables (note 16)	**46,795**	52,018	42,716
Income taxes payable	**2,824**	7,177	–
Provisions (note 17)	**1,363**	–	–
Finance lease obligations (note 18)	**69**	89	82
Derivative financial instruments (note 9)	**7,922**	8,144	8,989
Total current liabilities	**118,973**	67,428	51,787
Non-current liabilities:			
Revolving credit facility (note 15)	**–**	70,000	70,000
Employee benefits (note 19)	**57,857**	54,833	46,171
Provisions (note 17)	**2,899**	4,344	4,344
Derivative financial instruments (note 9)	**2,283**	6,475	12,477
Finance lease obligations (note 18)	**46**	119	181
Convertible unsecured subordinated debentures (note 20)	**104,988**	125,150	130,599
Deferred tax liabilities (note 13)	**29,676**	29,161	29,555
Total non-current liabilities	**197,749**	290,082	293,327
Total liabilities	**316,722**	357,510	345,114
Shareholders' equity:			
Share capital (note 21)	**133,737**	105,542	575,406
Contributed surplus	**200,143**	203,910	–
Equity portion of convertible unsecured subordinated debentures (note 20)	**1,188**	–	–
Deficit	**(57,723)**	(51,880)	(329,119)
Total shareholders' equity	**277,345**	257,572	246,287
Commitments (note 24)			
Contingencies (note 25)			
Total liabilities and shareholders' equity	**594,067**	615,082	591,401

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(In thousands of dollars except number of shares)

For the year ended September 29, 2012	**Number of shares**	**Common shares**	**Contributed surplus**	**Equity portion of convertible debentures**	**Deficit**	**Total**
		$	**$**	**$**	**$**	**$**
Balance, October 1, 2011	**88,842,333**	**105,542**	**203,910**	**–**	**(51,880)**	**257,572**
Dividends (note 21)	**–**	**–**	**–**	**–**	**(32,915)**	**(32,915)**
Share-based payment expense (note 22)	**–**	**–**	**40**	**–**	**–**	**40**
Conversion of convertible debentures into shares (note 20)	**5,148,427**	**27,819**	**(1,562)**	**–**	**–**	**26,257**
Redemption of convertible debentures (note 20)	**–**	**–**	**(2,230)**	**–**	**2,028**	**(202)**
Issuance of convertible debentures (note 20)	**–**	**–**	**–**	**1,188**	**–**	**1,188**
Issuance of shares (note 22)	**100,000**	**376**	**(15)**	**–**	**–**	**361**
Net earnings and comprehensive income for the period	**–**	**–**	**–**	**–**	**25,044**	**25,044**
Balance, September 29, 2012	**94,090,760**	**133,737**	**200,143**	**1,188**	**(57,723)**	**277,345**

For the year ended October 1, 2011	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Deficit	Total
		$	$	$	$	$
Balance, September 30, 2010	87,534,113	575,406	–	–	(329,119)	246,287
Elimination of opening deficit to contributed surplus at January 1, 2011 (note 21)	–	–	(276,465)	–	276,465	–
Reduction of stated capital (note 21)	–	(276,465)	276,465	–	–	–
Reduction of stated capital at February 1, 2011 (note 21)	–	(200,000)	200,000	–	–	–
Dividends/Distributions (note 21)	–	–	–	–	(32,714)	(32,714)
Share-based payment expense (note 22)	–	–	5	–	–	5
Conversion of convertible debentures into shares (note 20)	1,238,220	6,315	–	–	–	6,315
Fair value of conversion option (note 32 h))	–	–	3,916	–	–	3,916
Issuance of shares (note 22)	70,000	286	(11)	–	–	275
Net earnings and comprehensive income for the period	–	–	–	–	33,488	33,488
Balance, October 1, 2011	88,842,333	105,542	203,910	–	(51,880)	257,572

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flow

(In thousands of dollars)

	For the years ended	
	September 29, 2012	October 1, 2011
	$	$
Cash flows from operating activities:		
Net earnings	**30,261**	41,854
Adjustments for:		
Depreciation of property, plant and equipment (note 4)	**11,684**	11,271
Amortization of intangible assets (note 4)	**177**	138
Changes in fair value of derivative financial instruments included in cost of sales	**420**	(8,563)
Income tax expense (note 6)	**10,648**	11,669
Pension contributions	**(11,490)**	(9,328)
Pension expense	**7,484**	7,147
Net finance costs (note 5)	**9,695**	15,361
Loss on disposal of property, plant and equipment	**25**	53
Share-based payment expense (note 22)	**40**	5
Other	**146**	(146)
	59,090	69,461
Changes in:		
Trade and other receivables	**6,777**	(1,130)
Inventories	**12,747**	(39,675)
Prepaid expenses	**515**	(319)
Trade and other payables	**(5,540)**	5,427
Provisions	**(82)**	–
	14,417	(35,697)
Cash generated from operating activities	**73,507**	33,764
Interest paid	**(10,460)**	(11,734)
Income taxes (paid) recovered	**(15,254)**	885
Net cash from operating activities	**47,793**	22,915
Cash flows (used in) from financing activities:		
Dividends/distributions paid	**(31,998)**	(28,517)
Revolving credit facility repayments	**(10,000)**	–
Issuance of convertible unsecured subordinated debentures (note 20)	**60,000**	–
Redemption of convertible unsecured subordinated debentures (note 20)	**(51,679)**	–
Payment of financing fees (note 20)	**(2,716)**	–
Repurchase of convertible debentures (note 20)	**(9)**	–
Issuance of shares (note 22)	**361**	275
Net cash used in financing activities	**(36,041)**	(28,242)
Cash flows used in investing activities:		
Additions to property, plant and equipment, net of proceeds on disposal	**(8,454)**	(7,033)
Additions to intangible assets	**(729)**	(1,095)
Net cash used in investing activities	**(9,183)**	(8,128)
Net increase (decrease) in cash and cash equivalents	**2,569**	(13,455)
Cash and cash equivalents, beginning of period	**25,326**	38,781
Cash and cash equivalents, end of period	**27,895**	25,326

Supplemental cash flow information (note 27)

The accompanying notes are an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Rogers Sugar Inc. ("Rogers" or the "Company") is a company domiciled in Canada, incorporated under the *Canada Business Corporations Act*. The head office of Rogers is located at 123 Rogers Street, Vancouver, British Columbia, V6B 3V2. The consolidated financial statements of Rogers as at September 29, 2012 and October 1, 2011 comprise Rogers and its subsidiary, Lantic Inc., (together referred to as the "Company"). The principal business activity of the Company is the refining, packaging and marketing of sugar products.

On January 1, 2011, Rogers completed the conversion from an income trust to a corporation pursuant to a Plan of Arrangement (the "Arrangement") under section 192 of the *Canada Business Corporations Act*. Pursuant to the Arrangement, unitholders exchanged each trust unit of Rogers Sugar Income Fund (the "Fund") for a common share of Rogers on a one-for-one basis.

The consolidated financial statements follow the continuity of interest basis of accounting whereby Rogers is considered a continuation of the Fund as there was no change in ownership of the Fund upon conversion. As a result, the consolidated statements of earnings and comprehensive income, changes in shareholders' equity and cash flows include the Fund's results of operations for the period up to and including December 31, 2010 and the Company's results thereafter. All references to shares, dividends and shareholders in the consolidated financial statements and notes pertain to common shares and common shareholders subsequent to the conversion and units, distributions and unitholders prior to conversion.

Since the conversion to a corporation on January 1, 2011, the Company's fiscal quarters end on the Saturday closest to the end of December, March, June and September. All references to 2012 and 2011 represent the years ended September 29, 2012 and October 1, 2011.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the Company's first IFRS consolidated financial statements, therefore IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The first date at which IFRS was applied was October 1, 2010. In accordance with IFRS, the Company has applied the same accounting policies throughout all periods presented except for certain mandatory exemptions and optional exemptions taken pursuant to IFRS 1 as described in note 32.

Previously, the Company prepared its consolidated financial statements in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). An explanation of how the transition from Canadian GAAP to IFRS has affected the reported earnings, financial position and cash flows of the Company is provided in note 32.

These consolidated financial statements were authorized for issue by the Board of Directors on November 21, 2012.

b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statements of financial position:

i) financial instruments at fair value through profit or loss are measured at fair value; and

ii) the defined benefit liability is recognized at the present value of the defined benefit obligation less the total of the fair value of the plan assets and the unrecognized past service costs.

c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars since it is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousands, except per share amounts.

d) Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of management judgements and estimates relate to the valuation of goodwill, the rates for depreciation and amortization of property, plant and equipment and intangible assets, the recoverability of deferred income tax assets and the assumptions used for the determination of employee future benefit obligations.

The following is a summary of areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements:

i) Fair value of derivative financial instruments:
Derivative financial instruments are carried in the statement of financial position at fair value, with changes in fair value reflected in the statement of earnings. Fair values are estimated by reference to published price quotations or by using other valuation techniques. Financial instruments for which observable quoted prices are not available are subject to a high degree of uncertainty.

ii) Useful lives of property, plant and equipment:
The Company reviews estimates of the useful lives of property, plant and equipment on an annual basis and adjusts depreciation on a prospective basis, if necessary.

iii) Goodwill impairment:
The Company makes a number of estimates when calculating the recoverable amount of a cash-generating unit containing goodwill using discounted future cash flows or other valuation methods. These estimates take into account the control premium in determining the fair value less cost to sell.

iv) Asset impairment:
The Company must assess the possibility that the carrying amounts of tangible and intangible assets may not be recoverable. Management is required to make subjective assessments, linking the possible loss of value of assets to future economic performance, to determine the amount of asset impairment that should be recognized, if any.

v) Income taxes:
The calculation of income taxes requires judgement in interpreting tax rules and regulations. Deferred income tax assets are recorded to the extent that it is probable that there will be adequate taxable income in the future against which they can be utilized.

vi) Pension plans:
The cost of defined benefit pension plans is determined by means of actuarial valuations, which involve making assumptions about discount rates, the expected long-term rate of return on plan assets, future salary increases, mortality rates and the future increases in pensions. Because of the long-term nature of the plans, such estimates are subject to a high degree of uncertainty.

vii) Consolidation:
See note 3 a).

Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and anticipated measures management intends to take. Actual results could differ from those estimates. The above estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated financial statements include the Company and Lantic Inc. (“Lantic”), the subsidiary it controls. Control exists where the Company has the power to govern the financial and operating policies of a subsidiary and obtain the receipt of benefits from having the power to govern. The Company owns 100% of the common shares of Lantic. Lantic Capital Inc., a wholly-owned subsidiary of Belkorp Industries Inc., owns the two outstanding Class C shares of Lantic. These Class C shares are non-voting, have no rights to return or risk of loss and are redeemable for $1 each. The Class C shares entitle the holder to elect five of the seven directors of Lantic but have no other voting rights at any meetings of Lantic shareholders except as may be required by law.

Notwithstanding Lantic Capital Inc.’s ability to elect five of the seven directors of Lantic, Lantic Capital Inc. receives no benefits or exposure to losses from its ownership of the Class C shares. As the Class C shares are non-dividend paying and redeemable for $1, there is no participation in future dividends or changes in value of Lantic resulting from the ownership of the Class C shares. There is also no management fee or other form of consideration attributable to the Class C shares. The determination of who has the power to govern and receive the benefits from having the power to govern necessarily involves a high degree of judgment. Based on all the facts and available information, management has concluded that the Company has the power to govern Lantic and receive the benefits derived from having the power to govern.

As part of the transition to IFRS, the Company elected not to restate business combinations that occurred prior to October 1, 2010 and therefore, goodwill represents the amount recognized under previous Canadian GAAP.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate in effect at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the rate prevailing at the date that the fair value was determined. Foreign denominated non-monetary assets and liabilities that are measured at the historical costs are translated at the rate prevailing at the transaction date. Revenues and expenses denominated in foreign currencies are translated into the functional currency at the rate in effect on the dates they occur. Gains or losses resulting from these translations are recorded in net earnings of the period.

c) Cash and cash equivalents
Cash and cash equivalents include cash on hand, bank balances and short-term liquid investments with maturities of three months or less, and bank overdraft when the latter forms an integral part of the Company's cash management.

d) Inventories
Inventories are valued at the lower of cost and net realizable value. The cost of inventories is determined substantially on a first-in first-out basis, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

e) Property, plant and equipment
Property, plant and equipment, with the exception of land, are recorded at cost less accumulated depreciation and any accumulated impairment losses. Land is carried at cost and not depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after October 1, 2010. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Construction-in-progress assets are capitalized during construction and depreciation commences when the asset is available for use.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized in cost of sales for assets used in production and in administration and selling expenses for all other assets.

Depreciation related to assets used in production is recorded in cost of sales while the depreciation of all other assets is recorded in administration and selling expenses. Depreciation is calculated on a straight-line basis, after taking into account residual values, over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Significant component of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately. The estimated useful lives for the current and comparative periods are as follows:

Buildings and improvements	20 to 60 years
Plant and equipment	10 to 40 years
Furniture and fixtures	5 to 10 years
Major components	10 to 55 years

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

f) Intangible assets

i) Goodwill:

Goodwill is measured at the acquisition date as the fair value of the consideration transferred less the net identifiable assets of the acquired company or business activities. Goodwill is not amortized and is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

In respect of acquisitions prior to October 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recognized under previous Canadian GAAP.

ii) Other intangible assets:

Intangible assets that are acquired by the Company and have finite useful lives are initially measured at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Amortization is calculated over the cost of the asset, less its residual value. Amortization is recognized in administrative expenses on a straight-line basis over the estimated useful lives of the intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization of intangible assets not in service begins when they are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

Software	5 to 15 years
Other	10 years

g) Leased assets

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Company's statement of financial position.

h) Impairment

i) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated yearly at the same time and whenever there is an indication that the asset might be impaired.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

The Company's corporate assets do not generate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Impairment (continued)

ii) Financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for trade and other receivables at both a specific asset and at the collective level. All individually significant trade and other receivables are assessed for specific impairment. All individually significant trade and other receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Trade and other receivables that are not individually significant are collectively assessed for impairment by grouping together trade and other receivables.

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against trade and other receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

i) Employee benefits

i) Pension benefit plans:

The Company provides post-employment benefits through defined benefit and defined contribution plans. The Company also sponsors Supplemental Executive Retirement Plans ("SERP"), which are neither registered nor pre-funded. Finally, the Company sponsors defined benefit life insurance, disability plans and medical benefits, for some retirees and employees.

Defined contribution plans:

The Company's obligations for contributions to employee defined contribution pension plans are recognized as employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans:

The Company maintains some contributory defined benefit plans that provide for pensions to employees based on years of service and the employee's compensation. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The Company accrues its obligations under employee benefit plans as the employees render the services necessary to earn pension and other employee future benefits. The Company has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method.

- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value at the year-end date.

- The discount rate used to value the defined benefit obligation is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

- Past service costs from plan amendments are recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss in cost of sales or administration and selling expenses, depending on which benefit plans it pertains to.

- Actuarial gains (losses) arise from the difference between the actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation. The Company recognizes all actuarial gains or losses immediately in other comprehensive income and in retained earnings (deficit).

The difference between the cumulative amounts expensed and the funding contributions is recognized on the statement of financial position as a pension asset or a pension liability, as the case may be.

ii) Short-term employee benefits:
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

iii) Share-based payment:
The Company has a Share Option Plan. Share based payment awards are measured at fair value at the grant date which is recognized as an employee expense, with a corresponding increase in contributed surplus over the vesting period, which is normally 5 years. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met. Any consideration paid by employees on exercise of share options is credited to share capital.

j) Provisions
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

i) Asset retirement obligation:
The Company recognizes the estimated liability for future costs to be incurred in the remediation of site restoration in regards to asbestos removal and disposal of such asbestos to a landfill for waste environment, and for oil, chemical and other hazardous materials tanks, only when a present legal or constructive obligation has been determined and that such obligation can be estimated reliably. Upon initial recognition of the obligation, the corresponding costs are added to the carrying amount of the related items of property, plant and equipment and amortized as an expense over the economic life of the asset or earlier, if a specific plan of removal exists. This obligation is reduced every year by payments incurred during the year in relation to these items. The obligation might be increased by any required remediation to the owned assets that would be required through enacted legislation.

ii) Contingent liability:
A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Company, or a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services, or any other transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be estimated reliably.

k) Financial instruments
All financial instruments are classified into one of the following categories: held to maturity financial assets, available-for-sale financial assets, loans and receivables, other financial liabilities, and financial assets and liabilities at fair value through profit or loss. Initial measurement of financial instruments is at fair value and subsequent measurement and recognition in changes in value of financial instruments depends on their classification. Held to maturity financial assets are initially measured at fair value and subsequently remeasured at amortized cost, using the effective interest method, less impairment. Available-for-sale financial assets are measured at fair value at each reporting period and unrealized gains or losses arising from changes in fair value, other than impairment losses, are recorded in other comprehensive income until such time as the asset is removed from the statement of financial position at which time the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company's trade and other receivables are initially measured at fair value and subsequently re-measured at amortized cost, unless the effect of discounting would be immaterial, in which case they are stated at cost, less impairment. The Company's trade and other payables have been classified as other financial liabilities and are, therefore, initially measured at fair value and subsequently at amortized cost, unless the effect of discounting would be immaterial, in which case they are stated at cost. Other financial liabilities also include short-term borrowings. Financial assets and liabilities classified at fair value through profit or loss are measured at fair value at each reporting period with changes in fair value in subsequent periods included in profit or loss.

Financial assets and liabilities measured at fair value use a fair value hierarchy to prioritize the inputs used in measuring fair value as follows:
i) Level 1 – valuation based on observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

k) Financial instruments (continued):

ii) Level 2 – valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and

iii) Level 3 – valuation techniques with observable market inputs (involves assumptions and estimates by management of how market participants would price the asset or liability).

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

i) Cash and cash equivalents:

The Company classifies its cash and cash equivalents as loans and receivables. Cash and cash equivalents include cash on hand and bank balances and bank overdraft when the latter forms an integral part of the Company's cash management.

ii) Derivative financial instruments and embedded derivatives:

The Company classifies derivative financial instruments which have not been designated as hedges for accounting purposes and embedded derivatives as financial assets and liabilities at fair value through profit or loss (marked-to-market), and values them at fair value each period with changes recorded in cost of sales or net finance costs. The derivative financial instruments consist of sugar futures and at times options ("sugar contracts"), foreign exchange forward contracts, natural gas futures and embedded derivatives which relate to the foreign exchange component of certain sales contracts denominated in U.S. currency, all of which the Company enters into during the regular course of business, which is recorded at fair value each reporting period with changes recorded in cost of sales. In addition, the Company entered into an interest rate swap agreement to protect itself against interest rate fluctuations, which is recorded at fair value each reporting period with changes recorded in net finance costs.

iii) Compound financial instruments:

Since the conversion from an income trust to a corporation on January 1, 2011, the Company's convertible unsecured subordinated debentures are accounted for as compound financial instruments. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, gains and losses relating to the financial liability are recognized in profit or loss.

iv) Financing charges:

Financing charges, which reflect the cost to obtain new financing, are offset against the debt for which they were incurred and recognized in finance costs using the effective interest method. Financing charges for the revolving credit facility are recorded with other assets.

v) Trade date:

The Company recognizes and derecognizes purchases and sales of derivative contracts on the trade date.

vi) Share capital:

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Dividends to the equity holders are recorded in equity.

Repurchase of share capital

When share capital recognized as equity is repurchased for cancellation, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. The excess of the purchase price over the carrying amount of the shares is charged to deficit.

l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and recognized at the time sugar products are shipped to customers, at which time significant risks and rewards of ownership are transferred to the customers. Revenue is recorded net of all returns and allowances, and excludes sales taxes.

Sales incentives, including volume rebates provided to customers are estimated based on contractual agreements and historical trends and

are recognized at the time of sale as a reduction in revenue. Such rebates are primarily based on a combination of volume purchased and achievement of specified volume levels.

m) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liabilities. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

n) Finance income and finance costs

Finance income comprises interest income on funds invested and finance costs comprise interest expense on borrowings. Changes in the fair value of interest rate swaps are recorded either to finance income or finance costs based on its outcome. Interest expense is recorded using the effective interest method.

o) Income taxes

Income tax expense comprises current and deferred taxes. Current tax and deferred taxes are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. In addition, the effect on deferred tax assets or liabilities of a change in tax rates is recognized in profit or loss in the period in which the enactment or substantive enactment takes place, except to the extent that it relates to an item recognized either in other comprehensive income or directly in equity in the current or in a previous period. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probably that the related tax benefit will be realized.

p) Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares from the conversion of the convertible debentures.

q) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 29, 2012 and have not been applied in preparing these consolidated financial statements. New standards and amendments to standards and interpretations that are currently under review include:

i) IAS 19 – *Employee benefits*

Amendments to IAS 19, *Employee Benefits* include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and the introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

q) New standards and interpretations not yet adopted (continued)

ii) IFRS 9 – *Financial instruments*

IFRS 9 is a new standard which will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement* with a proposed single model for only two classification categories: amortized cost and fair value. This standard becomes mandatory for the years commencing on or after January 1, 2015 with earlier application permitted.

iii) IFRS 10 – *Consolidated Financial Statements*

This standard provides additional guidance to determine whether an entity should be included within the consolidated financial statements of the Company. IFRS 10 replaces SIC 12, *Consolidation – Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*. This standard is required to be adopted for annual periods beginning January 1, 2013.

iv) IFRS 13 – *Fair value measurement*

This standard provides new guidance on fair value measurement and disclosure requirements, which becomes effective for annual periods commencing on or after January 1, 2013.

The extent of the impact of adoption of the above noted standards and interpretations on the financial statements of the Company has not yet been determined.

4. DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization expenses were charged to the consolidated statements of earnings as follows:

	For the years ended	
	September 29, 2012	October 1, 2011
	$	$
Depreciation of property, plant and equipment:		
Cost of sales	**11,237**	10,860
Administration and selling expenses	**447**	411
	11,684	11,271
Amortization of intangible assets:		
Administration and selling expenses	**177**	138
Total depreciation and amortization expenses	**11,861**	11,409

5. FINANCE INCOME AND FINANCE COSTS

Recognized in net earnings:

	For the years ended	
	September 29, 2012	October 1, 2011
	$	$
Net change in fair value of interest rate swap	**2,119**	855
Finance income	**2,119**	855
Interest expense on convertible unsecured subordinated debentures	**6,682**	7,611
Interest on revolving credit facility	**3,578**	3,773
Amortization of deferred financing fees	**958**	1,050
Loss on early redemption of convertible unsecured subordinated debentures (note 20)	**596**	–
Fair value loss of conversion option (note 32 d))	**–**	3,782
Finance costs	**11,814**	16,216
Net finance costs recognized in net earnings	**9,695**	15,361

6. INCOME TAX EXPENSE

	For the years ended	
	September 29, 2012	October 1, 2011
	$	$
Current tax expense:		
Current period	**10,039**	7,804
Adjustment for prior periods	**102**	–
Current tax expense	**10,141**	7,804
Deferred tax expense:		
Recognition and reversal of temporary differences	**404**	4,023
Changes in tax rates	**103**	(158)
Deferred tax expense	**507**	3,865
Total income tax expense	**10,648**	11,669

6. INCOME TAX EXPENSE (CONTINUED)

Income tax recognized in other comprehensive income:

	For the years ended					
	September 29, 2012			October 1, 2011		
	Before tax	**Tax benefit**	**Net of tax**	Before tax	Tax benefit	Net of tax
	$	**$**	**$**	$	$	$
Defined benefits plan actuarial losses	**(7,030)**	**1,813**	**(5,217)**	(10,843)	2,477	(8,366)

Reconciliation of effective tax rate:
The provision for income taxes differs from the amount computed by applying the Canadian federal and provincial tax rates to earnings before provision for income taxes. The reasons for the difference and the related tax effects are as follows:

	For the years ended			
	September 29, 2012		October 1, 2011	
	%	**$**	%	$
Earnings before income tax		**40,909**		53,523
Income tax using the Company's statutory tax rate	**25.38**	**10,383**	27.00	14,451
Changes due to the following items:				
Adjustment related to Income Fund conversion	**–**	**–**	(3.76)	(2,013)
Changes in tax rate	**0.25**	**103**	(0.30)	(158)
Other	**0.40**	**162**	(1.14)	(611)
	26.03	**10,648**	21.80	11,669

Prior to the conversion from an income trust to a corporation on January 1, 2011, the Company had reviewed all temporary differences that were previously not recorded as future income tax assets or liabilities at the trust level. Recognition of these future income tax assets or liabilities was recorded only for temporary differences expected to reverse after the date on which the taxation changes took effect, being January 2011.

The only such temporary difference related to financing charges paid on the issue of the Third, Fourth and Fifth series debentures, which are being amortized for accounting purposes until the debts' maturity dates of June 2013, April 2017 and December 2018, respectively. In addition, the Company considered the difference between the accounting and tax basis of the Company's investments in its operating company ("outside basis difference").

7. TRADE AND OTHER RECEIVABLES

	September 29, 2012	October 1, 2011	October 1, 2010
	$	$	$
Trade receivables	**46,439**	55,476	53,397
Initial margin deposits with commodity brokers	**4,632**	2,372	3,321
	51,071	57,848	56,718

All trade and other receivables are current and are classified as loans and receivables.

The Company grants credit to its customers in the ordinary course of business.

Management believes that the Company's exposure to credit risk and impairment losses related to trade and other receivables is limited due to the following reasons:

– There is a broad base of customers with dispersion across different market segments.

– Bad debt write-offs to total revenue have been less than 0.05% for each of the last five years (averaging less than $175 per year). Write-offs for fiscal 2012 were $111 ($383 for fiscal 2011). The allowance for doubtful accounts as at September 29, 2012 was $300 ($300 as at October 1, 2011 and 2010). All bad debt write-offs are charged to administration and selling expenses.

– Less than 1% of trade receivables are outstanding for more than 90 days, while over 85% are current (less than 30 days) as at September 29, 2012, which is comparable to October 1, 2011 and 2010.

Through General Security Agreements with its lenders, trade and other receivables have been granted as continuing collateral security for all present and future indebtedness to the current lenders.

8. INVENTORIES

	September 29, 2012	October 1, 2011	October 1, 2010
	$	$	$
Raw sugar	**35,139**	39,989	19,526
Work in progress	**9,543**	8,325	4,438
Refined sugar	**19,652**	29,023	14,166
Sugar inventories	**64,334**	77,337	38,130
Packaging and operating supplies	**4,056**	4,417	4,209
Spare parts and other	**9,896**	9,279	9,019
	78,286	91,033	51,358

At September 29, 2012, the Company recorded an amount of nil (October 1, 2011 - $0.2 million; October 1, 2010 - $1.6 million) related to onerous contracts as defined in IAS 37 paragraph 66 as a write-down to inventory through cost of sales. In the normal course of business, the Company enters into an economic hedge for all of its raw sugar purchases and refined sugar sales. As the Company does not apply the hedge accounting for these contracts, the related derivative instruments, being the futures contracts, are marked-to-market. As a result, the Company must record an onerous loss to cost of sales when the net realizable value is lower than the mark-to-market of the raw sugar futures contract and the related refining costs.

All costs of sales expensed during the year were all inventorial items, except for fixed costs incurred in Taber after the beet slicing campaign, and mark-to-market adjustments of derivative financial instruments.

9. FINANCIAL INSTRUMENTS

Derivative financial instruments:

Details of recorded gains (losses) for the year, in marking-to-market all derivative financial instruments and embedded derivatives that are outstanding at year-end, are noted below.

The Company has embedded derivatives in certain sales contracts denominated in U.S. currency, which are accounted for separately at fair value from the base contract.

As at September 29, 2012, financial derivatives outstanding and their mark-to-market impact on the consolidated statements of earnings were as follows:

	Financial Assets		**Financial Liabilities**	
	Current	**Non-Current**	**Current**	**Non-Current**
	September 29, 2012		**September 29, 2012**	
	$	**$**	**$**	**$**
Sugar futures contracts	**–**	**15**	**263**	**–**
Natural gas futures contracts	**–**	**–**	**3,754**	**1,974**
Foreign exchange forward contracts	**–**	**–**	**1,261**	**243**
Embedded derivatives	**–**	**–**	**775**	**66**
Interest rate swap	**–**	**–**	**1,869**	**–**
	–	**15**	**7,922**	**2,283**

	Unrealized gain / (loss)	
	For the years ended	
	September 29, 2012	October 1, 2011
	$	$
Sugar futures contracts and option	**(5,654)**	20,110
Natural gas futures contracts	**(3,579)**	(1,936)
Foreign exchange forward contracts	**(2,437)**	(267)
Embedded derivatives	**(2,573)**	2,371
Interest rate swap	**2,119**	855
Conversion option on convertible debentures (note 32d))	**–**	(3,782)
	(12,124)	17,351
Charged to:		
Cost of sales	**(14,243)**	20,278
Net finance costs	**2,119**	(2,927)
	(12,124)	17,351

9. FINANCIAL INSTRUMENTS (CONTINUED):

Derivative financial instruments (continued):
As at October 1, 2011 and October 1, 2010, financial derivatives outstanding were as follows:

	Financial assets		Financial liabilities		Financial assets		Financial liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	October 1, 2011				October 1, 2010			
	$	$	$	$	$	$	$	$
Sugar futures contracts and option	104	–	–	29	24	1	–	–
Natural gas futures contracts	–	–	6,318	4,284	–	–	5,462	9,239
Foreign exchange forward contracts	822	70	–	–	–	–	1,143	7
Embedded derivatives	1,615	119	–	–	–	–	597	40
Interest rate swap	–	–	1,826	2,162	–	–	1,787	3,057
Conversion option on convertible debentures (note 20)	–	–	–	–	–	–	–	134
	2,541	189	8,144	6,475	24	1	8,989	12,477

Each type of derivative instrument marking-to-market gain or loss represents the total mark-to-market value at the end of the year, less the mark-to-market value at the end of the previous year.

For sugar contracts, the amounts noted above are netted with the variation margins paid or received to/from the broker at the end of the reporting period. The fair value of the sugar contracts and natural gas contracts has been determined using published quoted values for these commodities, while the fair value of foreign exchange forward contracts has been determined using rates published by the financial institution which is counterparty to these contracts.

The fair value of the interest rate swap has been determined by using rates published on financial capital markets. The fair value of natural gas contracts, foreign exchange forward contracts and interest rate swap includes a credit risk adjustment for the Company's or counterparty's credit, as appropriate.

Due to the unique nature of the trust units when operating under the income trust structure for the period from October 1 to December 31, 2010, under IFRS, the conversion option of the convertible unsecured subordinated debentures was recorded as a derivative liability at fair value. The Company converted to a corporation on January 1, 2011 and as a result, the full amount of the derivative liability was reclassified as contributed surplus as of that date.

The Company uses derivative financial instruments to manage its exposure to changes in raw sugar, foreign exchange, and natural gas prices. In July 2008, a five-year interest rate swap contract was entered into to fix a portion of the Company's exposure to floating interest rate debt on its short-term borrowings. The Company's objective for holding derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of these exposures.

a) Raw sugar

The Company's risk management policy is to manage the forward pricing of purchases of raw sugar in relation to its forward refined sugar sales to reduce price risk. The Company attempts to meet this objective by entering into futures contracts to reduce its exposure. Such financial instruments are used to manage the Company's exposure to variability in fair value attributable to the committed purchase price of raw sugar. The pricing mechanisms of futures contracts and the respective forecasted raw sugar purchase transactions are the same.

The Company's raw sugar futures and options contracts as well as the fair value of these contracts relating to purchases or sales of raw sugar at year-end for September 29, 2012 and October 1, 2011 and 2010 are as follows:

9. FINANCIAL INSTRUMENTS (CONTINUED):

Derivative financial instruments (continued):

a) Raw sugar (continued)

	September 29, 2012			October 1, 2011			October 1, 2010		
	Original futures contracts value	**Current contract value**	**Fair value**	Original futures contracts value	Current contract value	Fair value	Original futures contracts value	Current contract value	Fair value
	US$	**US$**	**US$**	US$	US$	US$	US$	US$	US$
PURCHASES:									
0 - 6 months	**54,167**	**51,801**	**(2,366)**	65,808	66,818	1,010	38,487	47,097	8,610
6 - 12 months	**86,316**	**83,286**	**(3,030)**	62,500	64,603	2,103	41,366	47,537	6,171
12 - 24 months	**23,529**	**22,341**	**(1,188)**	4,801	5,159	358	6,306	6,478	172
Over 24 months	**–**	**–**	**–**	270	275	5	–	–	–
	164,012	**157,428**	**(6,584)**	133,379	136,855	3,476	86,159	101,112	14,953
SALES:									
0 - 6 months	**(12,834)**	**(11,733)**	**1,101**	(38,363)	(41,580)	(3,217)	(23,682)	(26,795)	(3,113)
6 -12 months	**(72,617)**	**(66,195)**	**6,422**	(85,057)	(86,001)	(944)	(35,701)	(40,282)	(4,581)
12 - 24 months	**(25,505)**	**(24,435)**	**1,070**	(826)	(845)	(19)	(1,634)	(1,480)	154
Over 24 months	**–**	**–**	**–**	–	–	–	–	–	–
	(110,956)	**(102,363)**	**8,593**	(124,246)	(128,426)	(4,180)	(61,017)	(68,557)	(7,540)
Net position	**53,056**	**55,065**	**2,009**	9,133	8,429	(704)	25,142	32,555	7,413
F/X rate at end of period			**0.9836**			1.0478			1.0274
Net value (CA$)			**1,976**			(738)			7,616
Less margin call (receipt) payment at year-end			**(2,224)**			798			(7,591)
Net (liabilities) assets futures contracts			**(248)**			60			25
Option			**–**			15			–
Net (liabilities) assets (CA$)			**(248)**			75			25

All sugar futures contracts and options are traded through a large exchange clearing house on the New York Intercontinental Exchange. Regulation of the U.S. futures industry is primarily self-regulation, with the role of the Federal Commodity Futures Trading Commission being principally an oversight role to determine that self-regulation is continuous and effective.

The exchange clearing house used is one of the world's largest capitalized financial institutions with excellent long-term credit ratings. Daily cash settlements are mandatory (margin calls) for resulting gains and/or losses from futures trading for each customer's account. Due to the above, the Company does not anticipate a credit risk from the raw sugar futures derivative instruments.

9. FINANCIAL INSTRUMENTS (CONTINUED):

Derivative financial instruments (continued):

b) Natural gas

The Company uses natural gas contracts to help manage its costs of natural gas. The Company monitors its positions and the credit ratings of its counterparties and does not anticipate losses due to counterparty non-performance. The Company's natural gas contracts as well as the fair value of these contracts relating to purchases of natural gas are as follows:

	September 29, 2012			October 1, 2011			October 1, 2010		
	Original futures contracts value	**Current contract value**	**Fair value**	Original futures contracts value	Current contract value	Fair value	Original futures contracts value	Current contract value	Fair value
	US$	**US$**	**US$**	US$	US$	US$	US$	US$	US$
Purchases:									
1 year	**8,079**	**4,263**	**(3,816)**	11,887	5,858	(6,029)	11,741	6,425	(5,316)
1 to 2 years	**8,152**	**6,086**	**(2,066)**	7,323	4,062	(3,261)	14,665	8,936	(5,729)
2 to 3 years	**3,910**	**3,969**	**59**	5,303	4,475	(828)	8,217	5,457	(2,760)
3 years and over	**–**	**–**	**–**	–	–	–	5,302	4,798	(504)
	20,141	**14,318**	**(5,823)**	24,513	14,395	(10,118)	39,925	25,616	(14,309)
F/X rate at end of period			**0.9836**			1.0478			1.0274
Net liability (CA$)			**(5,728)**			(10,602)			(14,701)

c) Foreign exchange contracts

The Company's activities which result in exposure to fluctuations in foreign currency exchange rates consist of the purchasing of raw sugar, the selling of refined sugar and the purchase of natural gas. The Company manages this exposure by creating offsetting positions through the use of financial instruments. These instruments include forward contracts, which are commitments to buy or sell U.S. dollars at a future date, and may be settled in cash.

The credit risk associated with foreign exchange contracts arises from the possibility that a counterparty to a foreign exchange contract, in which the Company has an unrealized gain, fails to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange rates attributable to the principal amount.

Forward foreign exchange contracts have maturities of less than two years and relate exclusively to U.S. currency. The counterparties to these contracts are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

9. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued):

c) Foreign exchange contracts (continued)

The Company's foreign currency forward contracts relating to the purchase of raw sugar, the sale of refined sugar and the purchase of natural gas are as follows:

		September 29, 2012		
	Original contract value	**Original contract value**	**Current contract value**	**Fair contract value**
	US$	**CA$**	**CA$**	**CA$**
Purchases U.S. dollars:				
Less than 1 year	**122,296**	**122,838**	**120,722**	**(2,116)**
1 to 2 years	**17,427**	**17,700**	**17,341**	**(359)**
	139,723	**140,538**	**138,063**	**(2,475)**
Sales U.S. dollars:				
Less than 1 year	**(100,163)**	**(99,552)**	**(98,697)**	**855**
1 to 2 years	**(11,896)**	**(11,951)**	**(11,835)**	**116**
	(112,059)	**(111,503)**	**(110,532)**	**971**
	27,664	**29,035**	**27,531**	**(1,504)**

			October 1, 2011	
	Original contract value	Original contract value	Current contract value	Fair value
	US$	CA$	CA$	CA$
Purchases U.S. dollars:				
Less than 1 year	106,631	106,655	111,877	5,222
1 year or more	3,525	3,574	3,710	136
	110,156	110,229	115,587	5,358
Sales U.S. dollars:				
Less than 1 year	(75,056)	(74,335)	(78,735)	(4,400)
1 year or more	(1,587)	(1,602)	(1,668)	(66)
	(76,643)	(75,937)	(80,403)	(4,466)
	33,513	34,292	35,184	892

			October 1, 2010	
	Original contract value	Original contract value	Current contract value	Fair value
	US$	CA$	CA$	CA$
Purchases U.S. dollars:				
Less than 1 year	99,189	104,027	101,564	(2,463)
1 year or more	7,775	8,164	8,037	(127)
	106,964	112,191	109,601	(2,590)
Sales U.S. dollars:				
Less than 1 year	(78,623)	(81,755)	(80,435)	1,320
1 year or more	(8,316)	(8,726)	(8,606)	120
	(86,939)	(90,481)	(89,041)	1,440
	20,025	21,710	20,560	(1,150)

9. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued):

d) Interest rate swap agreement

In order to fix the interest rate on a substantial portion of the expected drawdown of the revolving credit facility, the Company, on July 7, 2008, entered into a five-year interest swap agreement in the amount of $70.0 million, at a base rate of 4.005%. The swap agreement terminates on June 30, 2013. The counterparties to this swap arrangement are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in this type of swap arrangement, nor does it anticipate non-performance by the counterparties. As at September 29, 2012, the fair value of the swap was a liability of $1.9 million (October 1, 2011 - $4.0 million; October 1, 2010 - $4.8 million).

e) Conversion option on convertible debentures

Due to the unique nature of the trust units when operating under the income trust structure for the period from October 1 to December 31, 2010, under IFRS, the conversion option of the convertible unsecured subordinated debentures was recorded as a derivative liability at fair value. The Company converted to a corporation on January 1, 2011 and as a result, the full amount of the derivative liability was reclassified as contributed surplus as of that date.

Risks:

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks at year-end.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company believes it has limited credit risk other than those explained in note 7 - Trade and other receivables and note 9 - Financial instruments.

b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rate. The Company's cash flow exposure to foreign currency is due mainly to the following:

- sales of refined sugar;
- sales of refined sugar in U.S. dollars;
- purchases of natural gas;
- sales of by-products;
- Taber refined sugar and U.S. by-products sales; and
- ocean freight.

The Company mitigates its exposure to foreign currency by entering into forward exchange contracts (see note 9 Derivative financial instruments c) - Foreign exchange contracts).

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued):

b) Currency risk (continued)

The Company had the following exposures at year-end:

	September 29, 2012	October 1, 2011	October 1, 2010
	US$	US$	US$
U.S. financial instruments measured at amortized cost:			
Cash	**989**	5,475	8,798
Trade and other receivables, including initial margin deposits	**13,265**	10,508	15,121
Trade and other payables	**(2,501)**	(3,031)	(2,534)
	11,753	12,952	21,385
Financial instruments at fair value through profit or loss:			
Raw sugar futures sales contracts	**110,956**	124,246	61,017
Raw sugar futures purchases contracts	**(164,012)**	(133,379)	(86,159)
Natural gas contracts	**(20,141)**	(24,513)	(39,925)
Variation margins received on futures contracts	**(2,009)**	704	(7,413)
	(75,206)	(32,942)	(72,480)
Total exposure from above	**(63,453)**	(19,990)	(51,095)
Forward exchange contracts	**27,664**	33,513	20,025
Gross exposure	**(35,789)**	13,523	(31,070)

As at year-end 2012, the U.S./Can. exchange rate was $0.9836 (2011 - $1.0478; 2010 - $1.0274).

Based on the above gross exposure at year-end, and assuming that all other variables remain constant, in particular the price of raw sugar and natural gas, a 5-cent increase in the Canadian dollar would result in an increase in net earnings of $1.3 million, (2011 – decrease of $0.5 million) while a 5-cent decrease would have an equal but opposite effect on net earnings.

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued):

b) Currency risk (continued)

Management believes that the impact on the gross exposure is not representative as it needs to be adjusted for the following transactions, which are not recorded on the consolidated statement of financial position as at year end but were committed during the fiscal year, and will be accounted for as the physical transactions occur:

	September 29, 2012	October 1, 2011	October 1, 2010
	US$	US$	US$
Gross exposure as per above	**(35,789)**	13,523	(31,070)
Sugar purchases priced not received	**(46,356)**	(61,920)	(58,911)
Taber sales, including beet pulp	**569**	1,031	1,698
Committed future sales in U.S. dollars	**84,419**	78,530	82,444
Ocean freight	**(7,256)**	(2,753)	(5,432)
Net exposure	**(4,413)**	28,411	(11,271)

The net exposure is due mainly to the Company's policy not to hedge its foreign exchange exposure on natural gas futures contracts with maturities exceeding 12 months. The impact of a 5-cent increase in the Canadian dollar would result in an increase of net earnings by $0.2 million in 2012 (2011 – increase of $1.0 million) while a decrease would have an equal but opposite effect on net earnings.

Raw sugar futures sales contracts represent, in large part, futures contracts entered into when sugar is priced by a raw sugar supplier. As both the raw sugar futures sales contracts and the sugar purchases priced not received are in U.S. dollars, there is no need to economically hedge the currency, hence the reason for the adjustment for sugar purchases priced not received.

The Taber sales formula for refined sugar is based on the raw sugar value which trades in U.S. dollars. As all beet sugar is paid in Canadian dollars, the raw sugar value within the Taber sales contracts is in U.S. dollars and therefore needs to be economically hedged for currency exposure.

Some sales are transacted in U.S. dollars. For these sales, the raw sugar value is not hedged, as the corresponding futures contract is also in U.S. dollars. Only the U.S. dollar refined sugar margin and ocean freight contribution are economically hedged for the currency exposure.

Ocean freight for raw sugar is denominated in U.S. dollars and therefore forward exchange contracts are used to cover the foreign exchange exposure.

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has short-term cash borrowings as at September 29, 2012 of $60.0 million, as opposed to long-term cash borrowings of $70.0 million as at October 1, 2011 and October 1, 2010. The Company normally enters into a 30 or 90-day Bankers' Acceptance for an amount varying between $60.0 million to $70.0 million of the borrowings, and will borrow either under prime rate loans or shorter term Bankers' Acceptances for any other borrowings. To mitigate the risk in future cash flows due to interest rate fluctuations, the Company entered into a 5-year swap agreement effective July 7, 2008 for $70.0 million at a rate of 4.005%. All other borrowings over and above the $70.0 million are therefore exposed to interest rate fluctuations.

For the year ended September 29, 2012, if interest rates had been 50 basis points higher considering all borrowings not covered by the interest swap agreement, net earnings would have been less than $0.1 million lower for both fiscal 2012 and 2011. If interest rates would have been 50 basis points lower, net earnings would have been less than $0.1 million higher for both fiscal 2012 and 2011.

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued):

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities, including estimated interest payments:

			September 29, 2012			
	Carrying amount	**Contractual cash flows**	**0 to 6 months**	**6 to 12 months**	**12 to 24 months**	**After 24 months**
	$	**$**	**$**	**$**	**$**	**$**
NON-DERIVATIVE FINANCIAL LIABILITIES:						
Revolving credit facility	**60,000**	**60,000**	**–**	**60,000**	**–**	**–**
Trade and other payables	**46,795**	**46,795**	**46,795**	**–**	**–**	**–**
Income taxes payable	**2,824**	**2,824**	**2,824**	**–**	**–**	**–**
Finance lease obligations	**115**	**122**	**74**	**48**	**–**	**–**
	109,734	**109,741**	**49,693**	**60,048**	**–**	**–**
DERIVATIVE FINANCIAL INSTRUMENTS:						
Raw sugar contracts (net) i)	**248**	**54,162**	**39,411**	**16,811**	**(2,060)**	**–**
Natural gas contracts i)	**5,728**	**19,811**	**3,989**	**3,958**	**8,018**	**3,846**
Forward exchange contracts (net) i)	**1,504**	**29,035**	**(10,642)**	**33,928**	**5,559**	**190**
Interest on swap agreement	**1,869**	**2,103**	**1,402**	**701**	**–**	**–**
	9,349	**105,111**	**34,160**	**55,398**	**11,517**	**4,036**
	119,083	**214,852**	**83,853**	**115,446**	**11,517**	**4,036**

			October 1, 2011			
	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$	$
NON-DERIVATIVE FINANCIAL LIABILITIES:						
Revolving credit facility	70,000	70,000	–	–	70,000	–
Trade and other payables	52,018	52,018	52,018	–	–	–
Income taxes payable	7,177	7,177	7,177	–	–	–
Finance lease obligations	208	226	50	50	76	50
	129,403	129,421	59,245	50	70,076	50
DERIVATIVE FINANCIAL INSTRUMENTS:						
Raw sugar contracts (net) i)	(75)	8,832	26,444	(22,420)	4,520	288
Natural gas contracts i)	10,602	25,684	6,186	6,270	7,673	5,555
Forward exchange contracts (net) i)	(892)	34,292	25,105	7,215	1,885	87
Interest on swap agreement	3,988	4,907	1,402	1,402	2,103	–
	13,623	73,715	59,137	(7,533)	16,181	5,930
	143,026	203,136	118,382	(7,483)	86,257	5,980

i) Based on notional amounts as presented above.

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued):

(d) Liquidity risk (continued)

	October 1, 2010					
	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$	$
Non-derivative financial liabilities:						
Revolving credit facility	70,000	70,000	–	–	–	70,000
Trade and other payables	42,716	42,716	42,716	–	–	–
Finance lease obligations	263	301	50	50	95	106
	112,979	113,017	42,766	50	95	70,106
Derivative financial instruments:						
Raw sugar contracts (net) i)	(25)	33,447	20,858	7,454	5,135	–
Natural gas contracts i)	14,701	41,019	6,811	5,253	15,066	13,889
Forward exchange contracts (net) i)	1,150	21,710	13,439	8,833	115	(677)
Interest on swap agreement	4,844	7,711	1,402	1,402	2,804	2,103
Conversion option on convertible debentures	134	–	–	–	–	–
	20,804	103,887	42,510	22,942	23,120	15,315
	133,783	216,904	85,276	22,992	23,215	85,421

i) Based on notional amounts as presented above.

The convertible unsecured subordinated debentures of $110.0 million (October 1, 2011 - $127.9 million; October 1, 2010 - $134.3 million) have been excluded from the above due to the Company's option to satisfy the obligations at redemption or maturity in shares.

A 5-year Credit Agreement providing $200.0 million of available working capital was negotiated in June 2008 to replace the then existing short-term credit agreements and long-term debt agreements. Borrowings under this Credit Agreement are made under Bankers' Acceptances or prime rate loans.

It is the Company's intention to keep a debt level between $60.0 million to $70.0 million. All other non-derivative financial liabilities are expected to be financed through the collection of trade and other receivables and cash flow generated from operations.

Derivative financial instruments for raw sugar, natural gas and forward exchange contracts are expected to be financed from the working capital of the Company.

As at September 29, 2012, the Company has an unused available line of credit of $140.0 million (October 1, 2011; 2010 – $130.0 million) and a cash balance of $27.9 million (October 1, 2011 – $25.3 million; October 1, 2010 – $38.8 million).

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued):

e) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices.

There are two types of commodity contracts which are entered into by the Company:

(i) Sugar:

In order to protect itself against fluctuations of the world raw sugar market, the Company follows a rigorous hedging program for all purchases of raw cane sugar and sales of refined sugar. Any time raw sugar is priced by a sugar supplier, a corresponding sugar futures contract is sold for the same quantity, period and underlying value. Any time refined sugar is priced by a customer, the corresponding volume of raw sugar is purchased for the same quantity, period and underlying value. The Company's policy is to cover all raw cane purchases and refined sugar sales as they are priced by the Company's suppliers and customers. On a daily basis, the Company monitors all net sugar futures contract positions against the physical priced purchases and sales commitments to ensure that appropriate hedge positions are in place.

For the Company's beet operation, the Board of Directors approved an economic pre-hedge, using sugar futures contract, of some of the beet sugar sales that will occur in the future, provided there is a contract in place with the Alberta Sugar Beet Growers to grow sugar beets.

The Board of Directors also approved a trading book to a maximum of 25,000 metric tonnes of sugar derivative contracts. The Board reviews on a quarterly basis the results achieved.

(ii) Natural gas:

In order to mitigate the overall price risks in the purchase of natural gas for use in the manufacturing operations, the Board approved the use of natural gas futures contracts. Natural gas futures contracts cannot be entered into for speculative reasons. The Board reviews on a quarterly basis the position of the natural gas contracts.

As at September 29, 2012, the Company had the following commodity contracts:

	Raw sugar contracts			Natural gas contracts		
	Volume	**Current average value**	**Current contract value**	**Contracts**	**Current average value**	**Current contract value**
	M.T.	**US$**	**US$**	**10,000 MM BTU**	**US$**	**US$**
Purchases	**346,375**	**454.50**	**157,428**	**368.600**	**3.884**	**14,318**
Sales	**(213,931)**	**456.97**	**(97,760)**	**–**	**–**	**–**
Beet pre-hedge	**(10,161)**	**453.00**	**(4,603)**	**–**	**–**	**–**
	122,283	**n/a**	**55,065**	**368.600**	**3.884**	**14,318**
F/X rate at end of period			**0.9836**			**0.9836**
Net value CA$			**54,162**			**14,083**

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued):

e) Commodity price risk (continued)
As at October 1, 2011, the Company had the following commodity contracts:

	Raw sugar contracts			Natural gas contracts		
	Volume	Current average value	Current contract value	Contracts	Current average value	Current contract value
	M.T.	US$	US$	10,000 MM BTU	US$	US$
Purchases	252,339	542.35	136,855	343.400	4.192	14,395
Sales	(201,129)	532.44	(107,090)	–	–	–
Beet pre-hedge	(39,322)	542.60	(21,336)	–	–	–
Option	n/a	n/a	15	–	–	–
	11,888	n/a	8,444	343.400	4.192	14,395
F/X rate at end of period			1.0478			1.0478
Net value CA$			8,848			15,083

As at October 1, 2010, the Company had the following commodity contracts:

	Raw sugar contracts			Natural gas contracts		
	Volume	Current average value	Current contract value	Contrats	Current average value	Current contract value
	M.T.	US$	US$	10,000 MM BTU	US$	US$
Purchases	215,507	469.18	101,112	541.603	4.730	25,616
Sales	(115,374)	442.83	(51,091)	–	–	–
Beet pre-hedge	(35,562)	491.14	(17,466)	–	–	–
	64,571	n/a	32,555	541.603	4.730	25,616
F/X rate at end of period			1.0274			1.0274
Net value CA$			33,447			26,318

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued):

e) Commodity price risk (continued)

If on September 29, 2012, the raw sugar value would increase by 5 cents per pound (being approximately US$110.00 per metric tonne), and all other variables remain constant, the impact on net earnings would be an increase of approximately $9.8 million (calculated only on the point-in-time exposure on September 29, 2012) (as at October 1, 2011 - increase of $0.6 million for 3 cent increase). If the raw sugar value would decrease by 3 cents per pound (being approximately US$66.00 per metric tonne), and all other variables remain constant, the impact on net earnings would be a decrease of approximately $5.9 million (as at October 1, 2011 - decrease of $1.4 million for 7 cent decrease).

Except for the beet pre-hedge, management believes that the above is not representative, as the Company has physical raw sugar purchases and refined sugar selling contracts that would offset most gains or losses realized from such decrease or increase in the commodity value, when such contracts are liquidated. For the beet pre-hedge, if, on September 29, 2012, the price of raw sugar would increase by 5 cents per pound, net earnings would decrease by approximately $0.8 million (as at October 1, 2011 - decrease of $2.0 million for 3 cent increase). A decrease in raw sugar value of 3 cents per pound would increase net earnings by approximately $0.5 million (as at October 1, 2011 - increase of $4.6 million for 7 cent decrease).

If, on September 29, 2012, the natural gas market price would increase by $1.00, and all other variables remain constant, net earnings would decrease by $2.7 million (as at October 1, 2011 - decrease of $2.5 million). If the natural gas value would decrease by $1.00, and all other variables remain constant, net earnings would increase by $2.7 million (as at October 1, 2011 - increase of $2.5 million).

Management believes that this impact for natural gas is not representative, as this variance will mostly offset when the actual natural gas is purchased and used; at such time a gain or loss on the liquidation of the natural gas contracts would mostly offset the same increase or decrease in the actual physical transaction.

Fair values of financial instruments:

The fair value of derivative instruments is the estimated amount that the Company would receive or pay to terminate the instruments at the reporting date. The fair values have been determined by reference to prices available from the markets on which the instruments trade, subject to credit adjustments as applicable. The fair values of all derivative instruments approximate their carrying value and are recorded as separate line items on the consolidated statement of financial position.

The following describes the fair value determinations of financial instruments:

Cash and cash equivalents: Due to the short-term maturity of these instruments, the carrying amount approximates fair value.

Trade and other receivables, trade and other payables and short-term borrowings: The carrying amount approximates fair value due to the short-term maturity of these instruments.

The fair values for the derivative assets and liabilities are estimated using industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices for currencies.

The fair value of convertible unsecured subordinated debentures was based upon market quotes for the identical instruments. The fair value of the conversion option has been marked-to-market using a model with various inputs.

Refer to note 18 for finance lease obligations.

9. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial instruments (continued):

The following tables provide a comparison of carrying and fair values for each classification of financial instruments at year-end, and show a level within the fair values hierarchy in which they have been classified.

		September 29, 2012		October 1, 2011		October 1, 2010	
	Fair values hierarchy level	**Carrying values**	**Fair values**	Carrying values	Fair values	Carrying values	Fair values
		$	**$**	$	$	$	$
FINANCIAL ASSETS:							
At fair value through profit or loss Derivatives	(See below)	**15**	**15**	2,730	2,730	25	25
Loans and receivables							
Cash and cash equivalent	Level 1	**27,895**	**27,895**	25,326	25,326	38,781	38,781
Trade and other receivables	n/a	**51,071**	**51,071**	57,848	57,848	56,718	56,718
Income taxes recoverable	n/a	**760**	**760**	–	–	1,513	1,513
Total financial assets		**79,741**	**79,741**	85,904	85,904	97,037	97,037
FINANCIAL LIABILITIES:							
At fair value through profit or loss Derivatives	(See below)	**10,205**	**10,205**	14,619	14,619	21,466	21,466
Other financial liabilities							
Revolving credit facility	n/a	**60,000**	**60,000**	70,000	70,000	70,000	70,000
Trade and other payables	n/a	**46,795**	**46,795**	52,018	52,018	42,716	42,716
Income taxes payable	n/a	**2,824**	**2,824**	7,177	7,177	–	–
Finance lease obligations	n/a	**115**	**122**	208	226	263	301
Convertible unsecured subordinated debentures	Level 1	**104,988**	**118,030**	125,150	129,769	130,599	138,600
Total financial liabilities		**224,927**	**237,976**	269,172	273,809	265,044	273,083

The fair values hierarchy for derivative financial instruments is as follows:

		September 29, 2012		October 1, 2011		October 1, 2010	
	Fair values hierarchy level	**Financial assets**	**Financial liabilities**	Financial assets	Financial liabilities	Financial assets	Financial liabilities
		$	**$**	$	$	$	$
Sugar contracts	**Level 1**	**15**	**263**	104	29	25	–
Natural gas contracts	**Level 2**	**–**	**5,728**	–	10,602	–	14,701
Foreign exchange forward contracts	**Level 2**	**–**	**1,504**	892	–	–	1,150
Embedded derivatives	**Level 2**	**–**	**841**	1,734	–	–	637
Interest rate swap	**Level 2**	**–**	**1,869**	–	3,988	–	4,844
Convertible option convertible debentures	**Level 3**	**–**	**–**	–	–	–	134
Total as at year end		**15**	**10,205**	2,730	14,619	25	21,466

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Furniture and equipment	Finance leases	Construction in progress	Total
	$	$	$	$	$	$	$
Cost or deemed cost:							
Balance at October 1, 2010	17,748	57,273	216,166	5,730	282	6,179	303,378
Additions/(transfer)	–	1,079	8,629	652	30	(3,364)	7,026
Disposals	–	(738)	(5,442)	(3,150)	–	–	(9,330)
Balance at October 1, 2011	17,748	57,614	219,353	3,232	312	2,815	301,074
Balance at October 2, 2011	**17,748**	**57,614**	**219,353**	**3,232**	**312**	**2,815**	**301,074**
Additions	**–**	**218**	**6,242**	**264**	**–**	**1,370**	**8,094**
Disposals	**–**	**–**	**(81)**	**–**	**–**	**–**	**(81)**
Balance at September 29, 2012	**17,748**	**57,832**	**225,514**	**3,496**	**312**	**4,185**	**309,087**
Depreciation:							
Balance at October 1, 2010	–	13,743	96,617	4,917	19	–	115,296
Depreciation for the year	–	1,732	9,318	126	95	–	11,271
Disposals	–	(738)	(5,369)	(3,151)	–	–	(9,258)
Balance at October 1, 2011	–	14,737	100,566	1,892	114	–	117,309
Balance at October 2, 2011	**–**	**14,737**	**100,566**	**1,892**	**114**	**–**	**117,309**
Depreciation for the year	**–**	**1,256**	**9,973**	**370**	**85**	**–**	**11,684**
Disposals	**–**	**–**	**(38)**	**–**	**–**	**–**	**(38)**
Balance at September 29, 2012	**–**	**15,993**	**110,501**	**2,262**	**199**	**–**	**128,955**
Net carrying amounts:							
At October 1, 2010	17,748	43,530	119,549	813	263	6,179	188,082
At October 1, 2011	17,748	42,877	118,787	1,340	198	2,815	183,765
At September 29, 2012	**17,748**	**41,839**	**115,013**	**1,234**	**113**	**4,185**	**180,132**

On October 1, 2010, the Company completed an assessment of the useful lives of all classes of property, plant and equipment. The estimated useful lives of buildings were revised from 40 years to between 20 and 60 years while the useful lives of equipment were revised from 20 years to between 10 and 40 years. This change in accounting estimate was applied prospectively. The impact of the change for the year ended October 1, 2011 was a decrease of $2.6 million in depreciation expense. There were no impairment losses during 2012 and 2011.

All property, plant and equipment have been pledged as security for the revolving credit facility (see note 15).

11. INTANGIBLE ASSETS

	Software	Other	Total
	$	$	$
Cost:			
Balance at October 1, 2010	1,457	–	1,457
Additions	1,095	–	1,095
Balance at October 1, 2011	2,552	–	2,552
Balance at October 2, 2011	**2,552**	**–**	**2,552**
Additions	**445**	**284**	**729**
Balance at September 29, 2012	**2,997**	**284**	**3,281**
Amortization:			
Balance at October 1, 2010	619	–	619
Amortization for the year	138	–	138
Balance at October 1, 2011	757	–	757
Balance at October 2, 2011	**757**	**–**	**757**
Amortization for the year	**173**	**4**	**177**
Balance at September 29, 2012	**930**	**4**	**934**
Net carrying amounts:			
At October 1, 2010	838	–	838
At October 1, 2011	1,795	–	1,795
At September 29, 2012	**2,067**	**280**	**2,347**

12. OTHER ASSETS

	September 29, 2012	October 1, 2011	October 1, 2010
	$	$	$
Deferred financing charges, net	**138**	322	506
Other	**4**	150	4
	142	472	510

Deferred financing charges represent the fees and costs related to the negotiation of the 5-year Credit Agreement. Borrowings under the revolving credit facility are short-term in nature and can be repaid at any time. Therefore, deferred financing charges are presented separately and not applied against debt (see note 15). These fees are amortized over five years, the term of the Credit Agreement.

13. DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets (liabilities) comprise the following temporary differences:

	September 29, 2012	October 1, 2011	October 1, 2010
	$	$	$
Assets:			
Employee benefits	**14,918**	14,105	11,869
Derivative financial instruments	**2,563**	4,118	6,160
Losses carried forward	**2,222**	–	2,077
Provisions	**1,099**	1,511	1,313
Other	**976**	223	320
	21,778	19,957	21,739
Liabilities:			
Property, plant and equipment	**(26,494)**	(25,845)	(24,673)
Derivative financial instruments	**(510)**	(782)	(2,107)
Goodwill	**(2,061)**	(2,007)	(1,958)
Deferred financing charges	**(205)**	(345)	(442)
Other	**(406)**	(182)	(375)
	(29,676)	(29,161)	(29,555)
Net assets (liabilities):			
Property, plant and equipment	**(26,494)**	(25,845)	(24,673)
Employee benefits	**14,918**	14,105	11,869
Derivative financial instruments	**2,053**	3,336	4,053
Losses carried forward	**2,222**	–	2,077
Goodwill	**(2,061)**	(2,007)	(1,958)
Provisions	**1,099**	1,511	1,313
Deferred financing charges	**(205)**	(345)	(442)
Other	**570**	41	(55)
	(7,898)	(9,204)	(7,816)

13. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The movement in temporary differences during the year and the previous year is as follows:

	Balance October 1, 2011	**Recognized in profit or (loss)**	**Recognized in other comprehensive income**	**Balance September 29, 2012**
	$	**$**	**$**	**$**
Property, plant and equipment	**(25,845)**	**(649)**	**–**	**(26,494)**
Employee benefits	**14,105**	**(1,000)**	**1,813**	**14,918**
Derivative financial instruments	**3,336**	**(1,283)**	**–**	**2,053**
Losses carried forward	**–**	**2,222**	**–**	**2,222**
Goodwill	**(2,007)**	**(54)**	**–**	**(2,061)**
Provisions	**1,511**	**(412)**	**–**	**1,099**
Deferred financing charges	**(345)**	**140**	**–**	**(205)**
Other	**41**	**529**	**–**	**570**
	(9,204)	**(507)**	**1,813**	**(7,898)**

	Balance October 1, 2010	Recognized in profit or (loss)	Recognized in other comprehensive income	Balance October 1, 2011
	$	$	$	$
Property, plant and equipment	(24,673)	(1,172)	–	(25,845)
Employee benefits	11,869	(241)	2,477	14,105
Derivative financial instruments	4,053	(717)	–	3,336
Losses carried forward	2,077	(2,077)	–	–
Goodwill	(1,958)	(49)	–	(2,007)
Provisions	1,313	198	–	1,511
Deferred financing charges	(442)	97	–	(345)
Other	(55)	96	–	41
	(7,816)	(3,865)	2,477	(9,204)

14. GOODWILL

For the purpose of impairment testing, goodwill is allocated to the Company, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes, which is not higher than the Company's operating segment.

The Company's cash-generating unit's impairment test was applied to the CGU, being the Company as a whole, based on its fair values less cost to sell ("FVLCTS").

The methodology used to determine the FVLCTS is based on the market capitalization of the Company, determined using the September 28, 2012 closing quoted market price of the Company's shares multiplied by the outstanding shares, adjusted to include a control premium. The quoted market price reflects the price to obtain a non-controlling interest in the Company whereas FVLCTS reflects what a market participant would pay to obtain control of the Company. Therefore, a control premium has been taken into account which reflects the synergies that a market participant could realize in obtaining control of the Company. The control premium used for calculating the FVLCTS at September 29, 2012 was 20% (20% at October 1, 2011 and 2010).

15. BANK OVERDRAFT AND REVOLVING CREDIT FACILITY

The Company has a revolving credit facility of $200.0 million from which it can borrow at prime rate, Libor rate or under Bankers' Acceptances, plus 0 to 162.5 basis points based on achieving certain financial ratios. Certain assets of the Company, including trade receivables, inventories and property, plant and equipment have been pledged as security for the credit facility. The following amounts were outstanding as at:

	September 29, 2012	October 1, 2011	October 1, 2010
	$	$	$
OUTSTANDING AMOUNT ON REVOLVING CREDIT FACILITY:			
Current	**60,000**	–	–
Non-current	**–**	70,000	70,000
	60,000	70,000	70,000

The credit facility expires on June 30, 2013 and as a result, the full amount outstanding is shown as current.
The fair value of the outstanding amount on the revolving credit facility was equal to the carrying amount for all above-mentioned periods.

16. TRADE AND OTHER PAYABLES

	September 29, 2012	October 1, 2011	October 1, 2010
	$	$	$
Trade payables	**25,753**	32,817	26,528
Other non-trade payables	**4,111**	3,861	4,141
Personnel-related liabilities	**8,462**	7,788	8,692
Dividends/distributions payable to shareholders/unitholders	**8,469**	7,552	3,355
	46,795	52,018	42,716

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 9.

17. PROVISIONS

	September 29, 2012	October 1, 2011	October 1, 2010
	$	$	$
Opening balance	**4,344**	4,344	4,344
Provisions used during the period	**(82)**	–	–
Closing balance	**4,262**	4,344	4,344
PRESENTED AS:			
Non-current	**2,899**	4,344	4,344
Current	**1,363**	–	–
	4,262	4,344	4,344

Provisions are comprised of asset retirement obligations which represent the future cost the Company estimates to incur for the removal of asbestos in the operating facilities and for oil, chemical and other hazardous materials tanks for which the Company has been able to identify the costs.

The asset retirement obligation has not been discounted as the provision is expected to be used within the next five years.

The estimate of the total liability for future asset retirement obligation is subject to change, based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. Future changes, if any, to the estimated total liability as a result of amended requirements, laws, regulations and operating assumptions would be recognized prospectively as a change in estimate, when applicable.

18. FINANCE LEASE OBLIGATIONS

The Company leases moveable equipment. The leases substantially transfer all the usage benefits of such equipment to the Company. These leases have interest rates varying from 5.0% to 8.625% with maturity dates varying from 2014 to 2015.

The outstanding liabilities are as follows:

	September 29, 2012		October 1, 2011		October 1, 2010	
	Carrying values	**Fair values**	Carrying values	Fair values	Carrying values	Fair values
	$	**$**	$	$	$	$
Finance lease obligations	**115**	**122**	208	226	263	301

18. FINANCE LEASE OBLIGATIONS (CONTINUED)

The finance lease obligations are payable as follows:

	September 29, 2012			October 1, 2011			October 1, 2010		
	Future minimum lease payment	**Interest**	**Present value of minimum lease payment**	Future minimum lease payment	Interest	Present value of minimum lease payment	Future minimum lease payment	Interest	Present value of minimum lease payment
	$	**$**	**$**	$	$	$	$	$	$
Less than one year	**74**	**5**	**69**	100	11	89	100	18	82
Between one and five years	**48**	**2**	**46**	126	7	119	201	20	181
More than five years	**–**	**–**	**–**	–	–	–	–	–	–
	122	**7**	**115**	226	18	208	301	38	263

19. EMPLOYEE BENEFITS

The Company sponsors defined pension plans for its employees, as well as health care benefits, medical plans and life insurance coverage.

	September 29, 2012	October 1, 2011	October 1, 2010
	$	$	$
Fair value of plan assets:			
Pension benefit plans	**103,546**	94,908	98,157
Other benefit plans	**–**	–	–
	103,546	94,908	98,157
Defined benefit obligation:			
Pension benefit plans	**141,179**	130,279	123,630
Other benefit plans	**20,224**	19,462	20,698
	161,403	149,741	144,328
Funded status:			
Pension benefit plans	**(37,633)**	(35,371)	(25,473)
Other benefit plans	**(20,224)**	(19,462)	(20,698)
	(57,857)	(54,833)	(46,171)
Unamortized non-vested past service cost:			
Pension benefit plans	**–**	–	–
Other benefit plans	**–**	–	–
	–	–	–
Pension liability:			
Pension benefit plans	**(37,633)**	(35,371)	(25,473)
Other benefit plans	**(20,224)**	(19,462)	(20,698)
	(57,857)	(54,833)	(46,171)

19. EMPLOYEE BENEFITS (CONTINUED)

The Company has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (such as minimum funding requirements) of the plans of the respective jurisdictions, the present value of refunds or reductions in the future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of the obligations. As such, no decrease in the defined benefit asset is necessary at September 29, 2012 (October 1, 2011 and October 1, 2010: no decrease in defined benefit asset.)

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes at year-end. The most recent actuarial valuations were as of December 31, 2010 and 2011, and the next required valuations will be as of December 31, 2012 and 2013.

Plan assets comprise:

	September 29, 2012	October 1, 2011	October 1, 2010
	%	%	%
Equity securities	**56.7**	55.0	57.0
Government bonds	**39.7**	43.0	41.0
Cash and short-term securities	**3.6**	2.0	2.0
	100.0	100.0	100.0

Movement in the present value of the defined benefit obligations:

	For the years ended					
	September 29, 2012			October 1, 2011		
	Pension benefits plans	**Other benefits plans**	**Total**	Pension benefits plans	Other benefits plans	Total
	$	**$**	**$**	$	$	$
Movement in the present value of the defined benefit obligation:						
Defined benefit obligation, beginning of the year	**130,279**	**19,462**	**149,741**	123,630	20,698	144,328
Current service cost	**1,632**	**410**	**2,042**	1,519	405	1,924
Interest cost	**6,419**	**973**	**7,392**	6,438	1,085	7,523
Employee contributions	**903**	**–**	**903**	838	–	838
Benefits paid	**(7,789)**	**(716)**	**(8,505)**	(7,966)	(769)	(8,735)
Actuarial losses (gains)	**9,735**	**95**	**9,830**	4,502	(1,957)	2,545
Plan amendments	**–**	**–**	**–**	1,318	–	1,318
Defined benefit obligation, end of year	**141,179**	**20,224**	**161,403**	130,279	19,462	149,741
Movement in the fair value of plan assets:						
Fair value of plan assets, beginning of the year	**94,908**	**–**	**94,908**	98,157	–	98,157
Expected return on asset	**6,439**	**–**	**6,439**	6,766	–	6,766
Actuarial gain/(loss) on plan assets	**2,888**	**–**	**2,888**	(8,026)	–	(8,026)
Employer contributions	**7,152**	**716**	**7,868**	6,152	769	6,921
Employee contributions	**903**	**–**	**903**	838	–	838
Benefits paid	**(7,789)**	**(716)**	**(8,505)**	(7,966)	(769)	(8,735)
Actual plan expense	**(955)**	**–**	**(955)**	(1,013)	–	(1,013)
Fair value of plan assets, end of year	**103,546**	**–**	**103,546**	94,908	–	94,908

19. EMPLOYEE BENEFITS (CONTINUED)

The Company's pension expense was as follows:

	For the years ended					
	September 29, 2012			October 1, 2011		
	Pension benefits plans	**Other benefits plans**	**Total**	Pension benefits plans	Other benefits plans	Total
	$	**$**	**$**	$	$	$
Pension costs recognized in net earnings:						
Current service cost	**1,632**	**410**	**2,042**	1,519	405	1,924
Expenses related to the pension benefits plans	**900**	**–**	**900**	850	–	850
Interest cost	**6,419**	**973**	**7,392**	6,438	1,085	7,523
Expected return on plan assets	**(6,439)**	**–**	**(6,439)**	(6,766)	–	(6,766)
Past service cost	**–**	**–**	**–**	1,318	–	1,318
Actuarial gains immediately recognized	**–**	**(33)**	**(33)**	–	(109)	(109)
Pension expense	**2,512**	**1,350**	**3,862**	3,359	1,381	4,740
Recognized in:						
Cost of sales	**1,728**	**904**	**2,632**	2,686	896	3,582
Administration and selling expenses	**784**	**446**	**1,230**	673	485	1,158
	2,512	**1,350**	**3,862**	3,359	1,381	4,740

The following table presents the change in the actuarial gains and losses recognized in other comprehensive income:

	For the years ended					
	September 29, 2012			October 1, 2011		
	Pension benefits plans	**Other benefits plans**	**Total**	Pension benefits plans	Other benefits plans	Total
	$	**$**	**$**	$	$	$
Cumulative amount in retained earnings at the beginning of the year	**12,691**	**(1,848)**	**10,843**	–	–	–
Recognized during the year	**6,902**	**128**	**7,030**	12,691	(1,848)	10,843
Cumulative amount in retained earnings at the end of the year	**19,593**	**(1,720)**	**17,873**	12,691	(1,848)	10,843
Recognized during the year net of tax	**5,122**	**95**	**5,217**	9,792	(1,426)	8,366

19. EMPLOYEE BENEFITS (CONTINUED)

Principal actuarial assumptions used were as follows:

	For the years ended			
	September 29, 2012		October 1, 2011	
	Pension benefits plans	**Other benefits plans**	Pension benefits plans	Other benefits plans
	%	**%**	%	%
Accrued benefit obligation:				
Discount rate	**4.40**	**4.40**	5.00	5.00
Salary increase	**3.50**	**3.50**	3.50	3.50
Employee benefit expense:				
Discount rate	**5.00**	**5.00**	5.25	5.25
Salary increase	**3.50**	**3.50**	3.50	3.50
Expected return on plan assets	**6.75**	**n/a**	7.00	n/a

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the value of the liabilities in the defined benefit plans are as follows:

	September 29, 2012	October 1, 2011
Longevity at age 65 for current pensioners:		
Males	**19.7**	19.6
Females	**22.1**	22.0
Longevity at age 65 for members aged 45:		
Males	**21.2**	21.1
Females	**22.9**	22.9

The assumed health care cost trend rate as at September 29, 2012 was 6.4% (October 1, 2011 – 6.4%), decreasing uniformly to 4.8% in 2031 (October 1, 2011 – 4.8% in 2031) and remaining at that level thereafter.

19. EMPLOYEE BENEFITS (CONTINUED)

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend would have the following effects:

	Increase	**Decrease**
	$	**$**
Effect on the aggregate service and interest cost	**245**	**(193)**
Effect on the defined benefit obligations	**2,722**	**(2,213)**

The Company expects $6.7 million in contributions to be paid to its defined benefits plans in 2013.

20. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

The outstanding convertible debentures, all recorded as non-current liabilities, are as follows:

	September 29, 2012	October 1, 2011	October 1, 2010
	$	$	$
Fourth series i)	**50,000**	50,000	50,000
Fifth series ii)	**60,000**	–	–
Third series iii)	**–**	77,945	84,260
Total face value	**110,000**	127,945	134,260
Less deferred financing fees	**(3,939)**	(2,795)	(3,661)
Less equity component ii)	**(1,188)**	–	–
Accretion expense on equity component	**115**	–	–
Total carrying value	**104,988**	125,150	130,599

i) Fourth series:
On April 8, 2010, the Company issued 50,000 fourth series, 5.70% convertible unsecured subordinated debentures ("Fourth series debentures"), maturing on April 30, 2017, with interest payable semi-annually in arrears on April 30 and October 31 of each year, starting October 31, 2010 for gross proceeds of $50,000. The debentures may be converted at the option of the holder at a conversion price of $6.50 per share (representing 7,692,308 common shares) at any time prior to maturity, and cannot be redeemed prior to April 30, 2013.

On or after April 30, 2013 and prior to April 30, 2015, the debentures may be redeemed by the Company, at a price equal to the principal amount plus accrued and unpaid interest, only if the weighted average trading price of the share, for 20 consecutive trading days, is at least 125% of the conversion price of $6.50. Subsequent to April 30, 2015, the debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

On redemption or at maturity, the Company will repay the indebtedness of the convertible debentures by paying an amount equal to the principal amount of the outstanding convertible debentures, together with accrued and unpaid interest thereon.

The Company may, at its option, elect to satisfy its obligation to repay

the principal amount of the convertible debentures, which are to be redeemed or which have matured, by issuing shares to the holders of the convertible debentures. The number of shares to be issued will be determined by dividing $1,000 (one thousand) of principal amount of the convertible debentures by 95% of the weighted average trading price of the shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date for redemption or the maturity date, as the case may be.

The Company has not allocated any of the Fourth series debentures into an equity component, as the calculation of the equity component is not significant using an appropriate interest rate that would have been applicable to the issuance of similar debt without the conversion features at the time the debentures were issued.

The fair value of the Fourth series debentures as at September 29, 2012 was approximately $54.4 million (October 1, 2011 - $50.3 million; October 1, 2010 - $50.5 million) based on market quotes.

ii) Fifth series:

On December 16, 2011, the Company issued $60.0 million fifth series, 5.75% convertible unsecured subordinated debentures ("Fifth series debentures"), maturing on December 31, 2018, with interest payable semi-annually in arrears on June 30 and December 31 of each year, starting June 29, 2012. The debentures may be converted at the option of the holder at a conversion price of $7.20 per share (representing 8,333,333 common shares) at any time prior to maturity, and cannot be redeemed prior to December 31, 2014.

On or after December 31, 2014 and prior to December 31, 2016, the debentures may be redeemed by the Company, at a price equal to the principal amount plus accrued and unpaid interest, only if the weighted average trading price of the common shares, for 20 consecutive trading days, is at least 125% of the conversion price of $7.20. Subsequent to December 31, 2016, the debentures are redeemable at a price equal to the principal amount thereof plus accrued unpaid interest.

On redemption or at maturity, the Company will repay the indebtedness of the convertible debentures by paying an amount equal to the principal amount of the outstanding convertible debentures, together with accrued and unpaid interest thereon. The Company may, at its option, elect to satisfy its obligation to repay the principal amount of the convertible debentures, which are to be redeemed or which have matured, by issuing shares to the holders of the convertible debentures. The number of shares to be issued will be determined by dividing $1,000 (one thousand) of principal amount of the convertible debentures by 95% of the weighted average trading price of the shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date for redemption or the maturity date, as the case may be.

The Company has allocated $1.188 million of the Fifth series debentures into an equity component. During the year, the Company recorded $115 in finance costs for the accretion of the Fifth series debentures.

The Company incurred issuance costs of $2.7 million, which are netted against the convertible debenture liability.

The fair value of the Fifth series debentures as at September 29, 2012 was approximately $63.6 million based on market quotes.

iii) Third series:

On December 19, 2011, some of the net proceeds from the issuance of the Fifth series debentures were used to redeem the third series 5.9% convertible unsecured subordinated debentures ("Third series debentures"). The total amount redeemed was $51,679, as an amount of $26,257 was converted to 5,148,427 common shares by holders of the convertible debentures during the period from October 2, 2011 to December 19, 2011 (October 1, 2011 - $6,315; October 1, 2010 - nil). In addition, $9 was repurchased during the first quarter of fiscal 2012 by the Company under the Normal Course Issuer Bid ("NCIB") prior to the redemption date.

20. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (CONTINUED)

iii) Third series (continued):

The respective debt and equity component of the Third series debentures were as follows:

	Debt	Contributed surplus
	$	$
Balance, October 1, 2010	84,260	–
Reclassification of the conversion option from derivative liability on date of incorporation of January 1, 2011 (note 32 d))	–	3,792
Balance, January 1, 2011	84,260	3,792
Conversion of convertible debentures	(6,315)	–
Balance, October 1, 2011	77,945	3,792
Deferred financing costs	(798)	–
Carrying value, October 1, 2011	77,147	3,792
Repurchased under the normal course issuer bid	(9)	–
Conversion of convertible debentures	(26,257)	(1,562)
Redemption of Third series convertible debentures	(51,477)	(202)
Early redemption loss	596	–
Reclassification of remaining balance to accumulated deficit	–	(2,028)
	–	–

An amount of $1.6 million was transferred from contributed surplus to common shares for the conversions that occurred prior to the redemption on December 19, 2011. The Company recorded to finance costs the early redemption loss of $0.6 million. Finally, the remaining amount of $2.0 million was reclassified to deficit.

21. CAPITAL AND OTHER COMPONENTS OF EQUITY

During the year, a total of 100,000 common shares (October 1, 2011 – 70,000; October 1, 2010 – 200,000) were issued pursuant to the exercise of share options under the Share Option Plan.

A total of $26.3 million (October 1, 2011 - $6.3 million; October 1, 2010 - nil) of the Third series debentures were converted during the year by holders of the securities for a total of 5,148,427 common shares (October 1, 2011 – 1,238,220 common shares; October 1, 2010 – nil). This conversion is a non-cash transaction and therefore not reflected in the consolidated statements of cash flows.

As of September 29, 2012, a total of 94,090,760 common shares (October 1, 2011 – 88,842,333; October 1, 2010 – 87,534,113) were outstanding.

On May 2, 2012, the Company announced an increase in its quarterly dividend from $0.085 to $0.09 per share effective immediately. The following dividends (for the three months ended December 31, 2010 - distributions on trust units) were declared by the Company:

	For the years ended	
	September 29, 2012	October 1, 2011
	$	$
Dividend	**32,915**	22,648
Distribution	**–**	10,066
	32,915	32,714

On January 1, 2011 the Company converted from an income trust to a conventional Company. The authorized capital of the Company consists of: (i) an unlimited number of voting common shares entitling its holders to receive, subject to the rights of the holders of preferred shares and any other class of shares ranking prior to the common shares, (a) non-cumulative dividends of the Company and (b) the remaining property of the Company upon its dissolution or winding-up; and (ii) a number of preferred shares issuable in series, at all times limited to fifty percent (50%) of the common shares outstanding at the relevant time, provided that no such preferred shares shall be used to block any takeover.

On January 1, 2011 the Board of Directors approved the reduction of the share capital without payment or reduction of its stated capital, by its deficit at January 1, 2011. As a result, the deficit of $276,465 was reduced to nil and the same amount was first applied against contributed surplus and subsequently against stated capital reducing the stated capital to $284,078. In addition, further to a Special Resolution approved at the shareholders' meeting of February 1, 2011, the Company reduced the stated capital by $200,000 to $84,078 and the contributed surplus was increased by the same amount of $200,000.

Capital management:

The Company's objectives when managing capital are:

- To ensure proper capital investment is done in the manufacturing infrastructure to provide stability and competitiveness of the operations.

- To have stability in the dividends paid to shareholders.

- To have appropriate cash reserves on hand to protect the level of dividends made to shareholders.

- To maintain an appropriate debt level so that there is no financial constraint on the use of capital.

- To have an appropriate line of credit.

- To repurchase shares or convertible debentures when trading values do not reflect fair values.

The Company typically invests in its operations between $6.0 and $9.0 million yearly in capital expenditures. Management believes that these investments, combined with approximately $25.0 million spent on average annually on maintenance expenses, allow for the stability of the manufacturing operations and improve its cost competitiveness through new technology or process procedures.

The Board of Directors aims to ensure proper cash reserves are in place to maintain the current dividend level. Dividends to shareholders will only be raised after the Directors have carefully assessed a variety of factors that include the overall competitive landscape, volume and selling margin sustainability, the operating performance and capital requirements of the manufacturing plants and the sustainability of any increase.

The Company has a $200.0 million revolving credit facility. The Company estimates to use between $60.0 and $80.0 million of its revolving credit facility to finance its normal operations during the year.

The Company monitors, on a quarterly basis, the ratio of total debt to earnings before interest, income taxes, depreciation and amortization, adjusted for the impact of all derivative financial instruments ("adjusted EBITDA") of the operating company. Through required lenders' covenants, the debt ratio must be kept below 3.5:1, in order to have no restrictions on interest payment from Lantic to the Company. At year end, the operating company's ratio was below 1.00:1 for both fiscal 2012 and 2011.

Having satisfied the above factors, if cash is available, it will be used to repurchase the Company's shares and convertible debentures when the Board of Directors considers that the then current trading range does not reflect the fair trading value of the Company's shares. As such the Company has a Normal Course Issuer Bid in place.

The Company does not use equity ratios to manage its capital requirements.

22. SHARE-BASED PAYMENT EXPENSE

On January 1, 2011 all options outstanding under the former unit option plan of the Fund were transferred to a share option plan ("Share Option Plan") on a one-for-one basis. The Company has reserved and set aside for issuance an aggregate of 850,000 shares at a price equal to the average market price of transactions during the last five trading days prior to the grant date. Options are exercisable to a maximum of 20% of the optioned shares per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all share options granted under the Share Option Plan not vested shall be forfeited.

On March 19, 2012, a total of 230,000 share options were granted at a price of $5.61 to certain executives subject to the approval of the shareholders to amend the Share Option Plan eligible person definition to include all senior personnel at the next Annual General Meeting.

22. SHARE-BASED PAYMENT EXPENSE (CONTINUED)

During fiscal 2012, a total of 100,000 common shares (October 1, 2011 – 70,000 common shares; October 1, 2010 – 200,000 common shares) were issued pursuant to the exercise of share options under the Share Option Plan for total cash proceeds of $361 (October 1, 2011 – $275; October 1, 2010 - $819), which was recorded to share capital as well as an ascribed value from contributed surplus of $15 (October 1, 2011 – $11; October 1, 2010 - $29). In addition, following the termination of an executive in 2011 a total of 80,000 share options were forfeited.

Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting credit to contributed surplus. An expense of $40 was incurred for the year ended September 29, 2012 (expense of $5 for the year ended October 1, 2011).

The following table summarizes information about the Share Option Plan as of September 29, 2012:

Exercise price per option	**Outstanding number of options at October 1, 2011**	**Options granted during the period**	**Options exercised during the period**	**Options forfeited during the period**	**Outstanding number of options at September 29, 2012**	**Weighted average remaining life**	**Number of options exercisable**
$ 3.61	**150,000**	**–**	**100,000**	**–**	**50,000**	**3.17**	**50,000**
$ 5.61	**–**	**230,000**	**–**	**–**	**230,000**	**9.46**	**–**

The following table summarizes information about the Share Option Plan as of October 1, 2011:

Exercise price per option	Outstanding number of options at October 1, 2010	Options granted during the period	Options exercised during the period	Options forfeited during the period	Outstanding number of options at October 1, 2011	Weighted average remaining life	Number of options exercisable
$ 3.61	200,000	–	50,000	–	150,000	4.17	150,000
$ 4.70	100,000	–	20,000	80,000	–	–	–

22. SHARE-BASED PAYMENT EXPENSE (CONTINUED)

As at September 29, 2012 and October 1, 2011, all of the options outstanding are held by key management personnel (see note 28).

The grant date fair value was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values as at September 29, 2012 of the share-based payment plans granted this year are the following:

Fair value at grant date	$160
Share price at grant date	$ 6.58
Exercise price	$ 5.61
Expected volatility (weighted average volatility)	13.188 to 17.691
Option life (expected weighted average life)	3.5 to 5.5 years
Expected dividends	5%
Risk-free interest rate (based on government bonds)	1.195 to 1.350%

The fair values will be marked-to-market on a quarterly basis until the approval of the shareholders is obtained.

23. OPERATING LEASES

The Company has financial commitments for minimum lease payments under operating leases for various mobile equipment and the premises of the blending operations in Toronto. Non-cancellable operating lease rentals are payable as follows:

	September 29, 2012	October 1, 2011	October 1, 2010
	$	$	$
Less than 1 year	**1,682**	1,923	1,045
Between 1 and 5 years	**1,305**	2,974	1,923
More than 5 years	**74**	300	194
	3,061	5,197	3,162

For the year ended September 29, 2012, an amount of $1,923 was recognized as an expense in net earnings with respect to operating leases (October 1, 2011 - $1,208).

24. COMMITMENTS

As at September 29, 2012, the Company had commitments to purchase a total of 834,000 (October 1, 2011 – 1,304,000) metric tonnes of raw cane sugar, of which 95,010 (October 1, 2011 – 88,000) metric tonnes had been priced, for a total dollar commitment of $45.6 million (October 1, 2011 - $64.9 million). In addition, the Company has a commitment of approximately $35.7 million (October 1, 2011 - $35.0 million) for sugar beets to be harvested and processed in fiscal 2013.

During the year ended September 29, 2012, the Company entered into capital commitments to complete its capital projects for a total value of $4.3 million.

25. CONTINGENCIES

The Company is subject to laws and regulations concerning the environment and to the risk of environmental liability inherent to its activities relating to its past and present operations. In addition, certain inactive subsidiaries and former subsidiaries are or could be named party to certain claims in respect of environmental matters for which the Company has obtained an environmental indemnification for matters existing as at October 8, 1997, and insurance to cover costs incurred for these environmental matters. Although the effect on operating results and liquidity, if any, cannot be reasonably estimated, management believes, based on current information, that environmental matters will not have a material adverse effect on the Company's financial condition.

The Company, in the normal course of business, becomes involved from time to time in litigation and claims. While the final outcome with respect to claims and legal proceedings pending as at September 29, 2012 cannot be predicted with certainty, management believes that no provision was required and that the financial impact, if any, from claims related to normal business activities will not be material.

26. EARNINGS PER SHARE

Reconciliation between basic and diluted earnings per share is as follows:

	For the years ended	
	September 29, 2012	October 1, 2011
	$	$
Basic earnings per share		
Net earnings	**30,261**	41,854
Weighted average number of shares outstanding	**92,965,945**	88,291,122
Basic earnings per share	**0.33**	0.47
Diluted earnings per share		
Net earnings	**30,261**	41,854
Plus impact of convertible unsecured subordinated debentures and share option	**2,324**	6,103
	32,585	47,957
Weighted average number of shares outstanding		
Basic weighted average number of shares outstanding	**92,965,945**	88,291,122
Plus impact of convertible unsecured subordinated debentures and share option	**7,692,308**	23,303,533
	100,658,253	111,594,655
Diluted earnings per share	**0.32**	0.43

As at September 29, 2012, the Third and Fifth series debentures were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive.

27. SUPPLEMENTARY CASH FLOW INFORMATION

	September 29, 2012	October 1, 2011	October 1, 2010
	$	$	$
Cash and cash equivalents	**27,895**	25,326	38,781
Non-cash transactions			
Additions of property, plant and equipment included in trade and other payables	**276**	561	532

28. KEY MANAGEMENT PERSONNEL

The Board of Directors as well as the President and all the Vice-Presidents are deemed to be key management personnel of the Company. The following is the compensation expense for key management personnel:

	For the years ended	
	September 29, 2012	October 1, 2011
	$	$
Salaries and short-term benefits	**2,410**	1,879
Attendance fees for members of the Board of Directors	**394**	342
Post-employment benefits	**82**	314
Share-based payments expense	**40**	5
	2,926	2,540

29. PERSONNEL EXPENSES

	For the years ended	
	September 29, 2012	October 1, 2011
	$	$
Wages, salaries and employee benefits	**66,921**	66,959
Expenses related to defined benefit plans	**3,862**	4,740
Expenses related to defined contributions plans	**3,622**	2,407
Share-based payments expense	**40**	5
	74,445	74,111

The personnel expenses were charged or capitalized to the consolidated statements of earnings and statements of financial position as follows:

	For the years ended	
	September 29, 2012	October 1, 2011
	$	$
Cost of sales	**59,602**	59,909
Administration and selling expenses	**11,911**	11,057
Distribution expenses	**2,522**	2,667
	74,035	73,633
Property, plant and equipment	**410**	478
	74,445	74,111

30. RELATED PARTIES

Lantic has outstanding redeemable Class B shares of $44.5 million that are retractable and can be settled at Lantic's option by delivery of a note receivable from the same party, Belkorp Industries Inc., having the same value. The note receivable bears no interest and has no fixed terms of repayment. The Class B shares are entitled to vote, but on a pro rata basis at a meeting of shareholders of Lantic. Under the terms of a voting trust agreement between Belkorp Industries Inc. and Rogers, Rogers is entitled to vote the Class B shares so long as they remain outstanding. Due to the fact that Lantic has the intent and the legal right to settle the note receivable with the redeemable preferred shares, these amounts have been offset and, therefore, are not presented on the consolidated statement of financial position.

Belkorp Industries Inc. also controls, through Lantic Capital, the two Lantic Class C shares issued and outstanding. The Class C shares entitle Lantic Capital to elect five of the seven directors of Lantic, but has no other voting rights at any meetings of shareholders of Lantic, except as may be required by law.

31. SEGMENTED INFORMATION

The Company has one operating segment and therefore one reportable segment.

Revenues were derived from customers in the following geographic areas:

	For the years ended	
	September 29, 2012	October 1, 2011
	$	$
Canada	**552,350**	580,092
United States	**65,743**	32,522
	618,093	612,614

32. EXPLANATION OF TRANSITION TO IFRS

a) IFRS 1 Application

As stated in note 2 a) these are the Company's first IFRS consolidated financial statements.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended October 1, 2011, and in the preparation of an opening IFRS statement of financial position at October 1, 2010 ("transition date").

In accordance with IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities applied against deficit unless certain exemptions applied. Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the Company's transition from Canadian GAAP to IFRS.

b) IFRS 1 optional exemptions

i) Business combinations:

IFRS 1 provides an exemption that allows an entity to elect not to retrospectively restate business combinations prior to the transition date in accordance with IFRS 3, *Business Combinations*. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to the transition date and such business combinations have not been restated. Under the business combinations exemption, the carrying amounts of the assets acquired and liabilities assumed under Canadian GAAP at the date of the acquisition became their deemed carrying amounts under IFRS at that date.

Notwithstanding the exemption, the Company was required at the transition date, to evaluate whether the assets acquired and liabilities assumed meet the recognition criteria in the relevant IFRS, and whether there are any assets acquired or liabilities assumed that were not recognized under Canadian GAAP for which recognition would be required under IFRS. The requirements of IFRS were then applied to the assets acquired and liabilities assumed from the date of acquisition to the transition date. The application of this exemption did not result in an IFRS transition adjustment to the opening statement of financial position at October 1, 2010. In addition, under the business combinations exemption, the Company tested goodwill for impairment at the transition date and determined that there was no impairment of the carrying value of goodwill as at that date.

ii) Employee benefits:
IFRS 1 provides the option to retrospectively apply the corridor approach under IAS 19, *Employee Benefits*, for the recognition of cumulative actuarial gains and losses, or to recognize all cumulative unrecognized actuarial gains and losses at the transition date. The Company elected to recognize all cumulative unrecognized actuarial gains and losses that existed on the transition date in opening deficit for all of its employee benefit plans.

IFRS 1 also provides the option to apply IAS 19 paragraph 120A(p), retrospectively or prospectively from the transition date. The retrospective basis would require the disclosure of selected information of the defined benefit plans for the current annual period and previous four annual periods. The Company elected to disclose the amounts required by paragraph 120A(p) of IAS 19 as the amounts are determined for each accounting period prospectively from the transition date to IFRS.

iii) Borrowing costs:
IAS 23, *Borrowing Costs*, requires an entity to capitalize borrowing costs relating to qualifying assets. Under IFRS 1, an entity may elect to apply the transitional provisions of IAS 23, which allow an entity to choose the date to apply the capitalization of borrowing costs relating to all qualifying assets as either the transition date or an earlier date. The Company elected to apply the transitional provisions of IAS 23 and chose the transition date as the date to commence the capitalization of borrowing costs to all qualifying assets for which the commencement date of the qualifying asset is on or after the transition date.

c) IFRS 1 mandatory exceptions

The Company applied the following mandatory exceptions to the retrospective application of other IFRS:

i) Estimates:
Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

d) Reconciliation between IFRS and Canadian GAAP

In preparing its opening IFRS financial statements, the Company has adjusted amounts reported previously in the consolidated financial statements prepared in accordance with Canadian GAAP. The following reconciliations detail the transitional effect to IFRS:

i) Statement of earnings and comprehensive income for the year ended October 1, 2011;

ii) Statement of financial position as at October 1, 2010;

iii) Statement of financial position as at October 1, 2011.

e) IFRS Reclassifications

i) Statement of cash flows:
IFRS require cash flows from interest and dividends received and paid, and income taxes paid to be disclosed directly in the statement of cash flows. Under Canadian GAAP, the Company disclosed interest and income taxes paid in the notes to the financial statements. This has resulted in a change to the presentation of the statements of cash flows for all periods presented in these audited consolidated financial statements. There are no other material differences between the Company's statements of cash flows presented under IFRS and the statements of cash flows presented under Canadian GAAP.

32. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of earnings and comprehensive income for the year ended October 1, 2011:

Consolidated statement of earnings	**Canadian GAAP**		**Adjustments**	**IFRS**
	$	Notes	$	$
Revenues	612,614		–	612,614
Cost of sales	516,255	a) b)	(490)	515,765
Gross margin	96,359		490	96,849
Administration and selling expenses	20,019	b) c)	(14)	20,005
Distribution expenses	7,960		–	7,960
Depreciation and amortization	549	c)	(549)	–
	28,528		(563)	27,965
Results from operating activities	67,831		1,053	68,884
Finance income	–	d)	(855)	(855)
Finance costs	11,579	d)	4,637	16,216
Net finance costs	11,579		3,782	15,361
Earnings before income taxes	56,252		(2,729)	53,523
Income tax expense (recovery)	12,032	e)	(363)	11,669
Net earnings	44,220		(2,366)	41,854
Net earnings per share				
Basic	0.50		(0.03)	0.47
Diluted	0.45		(0.02)	0.43

Consolidated statement of comprehensive income	**Canadian GAAP**		**Adjustments**	**IFRS**
	$	Notes	$	$
Net earnings (loss)	44,220		(2,366)	41,854
Other comprehensive income				
Defined benefit plan actuarial losses	–	b)	(10,843)	(10,843)
Income tax on other comprehensive loss	–	e)	2,477	2,477
	–		(8,366)	(8,366)
Net earnings and comprehensive income for the period	44,220		(10,732)	33,488

32. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of financial position as at October 1, 2010:

Consolidated statement of financial position	**Canadian GAAP**		**Adjustments**	**IFRS**
	$	Notes	$	$
Assets				
CURRENT ASSETS:				
Cash and cash equivalents	38,781		–	38,781
Trade and other receivables	58,231	f)	(1,513)	56,718
Income taxes recoverable	–	f)	1,513	1,513
Inventories	51,358		–	51,358
Prepaid expenses	1,885		–	1,885
Deferred tax assets	1,030	e)	(1,030)	–
Derivative financial instruments	24		–	24
Total current assets	151,309		(1,030)	150,279
NON-CURRENT ASSETS:				
Property, plant and equipment	182,523	a)	5,559	188,082
Intangible assets	838		–	838
Other assets	510		–	510
Defined benefit pension plan assets	19,672	b)	(19,672)	–
Deferred tax assets	–	e)	21,739	21,739
Derivative financial instruments	1		–	1
Goodwill	229,952		–	229,952
Total non-current assets	433,496		7,626	441,122
Total assets	584,805		6,596	591,401

32. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of financial position as at October 1, 2010 (continued):

Consolidated statement of financial position (continued)	Canadian GAAP		Adjustments	IFRS
	$	Notes	$	$
Liabilities				
CURRENT LIABILITIES:				
Revolving credit facility	70,000	c)	(70,000)	–
Trade and other payables	42,716	f)	–	42,716
Derivative financial instruments	8,989		–	8,989
Finance lease obligations	82		–	82
Total current liabilities	121,787		(70,000)	51,787
NON-CURRENT LIABILITIES:				
Revolving credit facility	–	c)	70,000	70,000
Employee benefits	29,545	b)	16,626	46,171
Provisions	–	a)	4,344	4,344
Derivative financial instruments	12,343	d)	134	12,477
Finance lease obligations	181		–	181
Convertible unsecured subordinated debentures	130,599		–	130,599
Deferred tax liabilities	17,542	e)	12,013	29,555
Total non-current liabilities	190,210		103,117	293,327
Total liabilities	311,997		33,117	345,114
Shareholders' equity				
Share capital	560,543	g)	14,863	575,406
Contributed surplus	4,683	h)	(4,683)	–
Deficit	(292,418)	i)	(36,701)	(329,119)
Total shareholders' equity	272,808		(26,521)	246,287
Total liabilities and shareholders' equity	584,805		6,596	591,401

32. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of financial position as at October 1, 2011:

Consolidated statement of financial position	**Canadian GAAP**		**Adjustments**	**IFRS**
	$	Notes	$	$
Assets				
CURRENT ASSETS:				
Cash and cash equivalents	25,326		–	25,326
Trade and other receivables	57,848	f)	–	57,848
Inventories	91,033		–	91,033
Prepaid expenses	2,204		–	2,204
Deferred tax assets	2,109	e)	(2,109)	–
Derivative financial instruments	2,541		–	2,541
Total current assets	181,061		(2,109)	178,952
NON-CURRENT ASSETS:				
Property, plant and equipment	178,057	a)	5,708	183,765
Intangible assets	1,795		–	1,795
Other assets	472		–	472
Defined benefit pension plan assets	21,710	b)	(21,710)	–
Deferred tax assets	–	e)	19,957	19,957
Derivative financial instruments	189		–	189
Goodwill	229,952		–	229,952
Total non-current assets	432,175		3,955	436,130
Total assets	613,236		1,846	615,082

32. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of financial position as at October 1, 2011 (continued):

Consolidated statement of financial position (continued)	Canadian GAAP		Adjustments	IFRS
	$	Notes	$	$
Liabilities				
Current liabilities:				
Revolving credit facility	70,000	c)	(70,000)	–
Trade and other payables	59,195	f)	(7,177)	52,018
Income taxes payable	–	f)	7,177	7,177
Derivative financial instruments	8,144		–	8,144
Finance lease obligations	89		–	89
Total current liabilities	137,428		(70,000)	67,428
Non-current liabilities:				
Revolving credit facility	–	c)	70,000	70,000
Employee benefits	30,306	b)	24,527	54,833
Provisions	–	a)	4,344	4,344
Derivative financial instruments	6,475	d)	–	6,475
Finance lease obligations	119		–	119
Convertible unsecured subordinated debentures	125,150		–	125,150
Deferred tax liabilities	22,849	e)	6,312	29,161
Total non-current liabilities	184,899		105,183	290,082
Total liabilities	322,327		35,183	357,510
Shareholders' equity				
Share capital	90,679	g)	14,863	105,542
Contributed surplus	204,677	h)	(767)	203,910
Deficit	(4,447)	i)	(47,433)	(51,880)
Total shareholders' equity	290,909		(33,337)	257,572
Total liabilities and shareholders' equity	613,236		1,846	615,082

a) Property, plant and equipment and provisions

IFRS provides more specific guidance than Canadian GAAP on the capitalization and componentization of property, plant and equipment. Specifically, IAS 16, *Property, plant and equipment*, requires that each part of an identifiable item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be capitalized and depreciated separately.

Certain elements of costs capitalized in property, plant and equipment under Canadian GAAP did not meet the definition of an element of costs capitalized under IFRS.

Certain elements of costs expensed in cost of sales under Canadian GAAP met the definition of an element of costs to be capitalized in property, plant and equipment under IFRS.

Under IFRS, a provision was recorded for costs that could be reliably measured for asbestos removal and disposal of such asbestos to a landfill for waste environment, and for oil, chemical and other hazardous materials tanks. Under Canadian GAAP these costs were not recognized as asset retirement obligations.

32. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

a) Property, plant and equipment and provisions (continued)

The impact arising from the above is summarized as follows:

	For the year ended October 1, 2011
	$
INCREASE/(DECREASE) IN COST OF SALES:	
Components	(411)
Non-capitalizable element of costs under IFRS	(81)
Capitalizable element of costs under IFRS	(381)
Asset retirement obligations	724
Decrease in cost of sales related to property, plant and equipment adjustments	(149)

	October 1, 2010	October 1, 2011
	$	$
PROPERTY, PLANT AND EQUIPMENT:		
Balance under Canadian GAAP	182,523	178,057
IFRS adjustments:		
Components	2,110	2,521
Non-capitalizable element of costs under IFRS	(895)	(814)
Capitalizable element of costs under IFRS	–	381
Asset retirement obligations	4,344	3,620
Total IFRS adjustments	5,559	5,708
Balance under IFRS	188,082	183,765

	October 1, 2010	October 1, 2011
	$	$
PROVISIONS:		
Balance under Canadian GAAP	–	–
Asset retirement obligations	4,344	(4,344)
Balance under IFRS	(4,344)	(4,344)

b) Employee benefits

Under IFRS the Company's accounting policy is to recognize all actuarial gains and losses immediately in other comprehensive income and retained earnings. At the date of transition, all previously cumulative unrecognized actuarial gains and losses were recognized in deficit.

The impact arising from the above is summarized as follows:

	For the year ended October 1, 2011
	$
Decrease in cost of sales	(341)
Decrease in administration and selling expenses	(563)
Decrease in expenses related to employee benefits	(904)
Decrease in comprehensive income	10,843
Decrease in comprehensive income related to employee benefits	10,843

	October 1, 2010	October 1, 2011
	$	$
DEFINED BENEFIT PENSION PLAN ASSETS:		
Balance under Canadian GAAP	19,672	21,710
Recognition of actuarial losses	(19,672)	(21,710)
Balance under IFRS	–	–
EMPLOYEE BENEFITS LIABILITIES:		
Balance under Canadian GAAP	(29,545)	(30,306)
Recognition of actuarial losses	(16,626)	(24,527)
Balance under IFRS	(46,171)	(54,833)

32. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

c) Reclassifications

i) Depreciation and amortization

The Company has chosen to present its consolidated statement of earnings and comprehensive income by function, which has impacted the classification of depreciation and amortization expense. The impact is as follows:

	For the year ended October 1, 2011
	$
Increase in administration and selling expenses	549
Decrease in depreciation and amortization	(549)

ii) Revolving credit facility

Under IFRS, $70.0 million of the revolving credit facility must be presented as non-current liabilities due to the long-term nature of the borrowing. The impact is as follows:

	October 1, 2010	October 1, 2011
	$	$
Decrease in current liabilities	(70,000)	(70,000)
Increase in non-current liabilities	70,000	70,000

d) Derivative financial instruments

Under IFRS, finance costs are presented separately from the finance income on the statement of earnings.

In addition, due to the unique nature of the trust units when operating under the income trust structure for the period from October 1 to December 31, 2010, under IFRS, the conversion option of the convertible unsecured subordinated debentures was recorded as a derivative liability at fair value. The Company converted to a corporation on January 1, 2011 and as a result, the full amount of the derivative liability was reclassified as contributed surplus as of that date.

The impact arising from the above is summarized as follows:

	For the year ended October 1, 2011
	$
Finance income:	
Reclassification from finance costs	(855)
Finance costs:	
IFRS adjustments:	
Reclassification to finance income	855
Fair value loss of conversion option	3,782
Increase in finance costs related to derivative financial instruments	4,637

	October 1, 2010	October 1, 2011
	$	$
Non-current derivative financial liabilities:		
Balance under Canadian GAAP	12,343	6,475
Fair value of conversion option	134	–
Balance under IFRS	12,477	6,475

32. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

e) Deferred income taxes

Under IFRS, when income taxes are payable at a higher or lower rate if part or all of the net profit or retained earnings is paid out as a dividend to shareholders, deferred tax assets and liabilities are measured at the rate applicable to undistributed profits. As a result, for the period from October 1 to December 31, 2010 while the Company was under the income trust structure, the tax rate at which deferred tax assets and liabilities are measured was increased to 43.7% (the undistributed tax rate) instead of 25% (the distributed tax rate) under Canadian GAAP. As of October 1, 2010, an adjustment was made to deficit. As of January 1, 2011, the date the Company converted to a corporation, all deferred tax assets and liabilities were re-measured using the rate applicable to a Corporation as an adjustment to profit or loss.

Under IAS 1, deferred tax assets or liabilities should not be classified as current. Under Canadian GAAP, when assets and liabilities related to temporary differences were segregated between current and non-current, the future income tax assets and liabilities were segregated.

The impact arising from the above is summarized as follows:

	For the year ended October 1, 2011
	$
INCREASE/(DECREASE) IN DEFERRED TAX EXPENSE:	
Components	106
Non-capitalizable costs under IFRS	21
Element of costs under IFRS	98
Asset retirement obligations	(186)
Employee benefits	(71)
Undistributed tax rate of an income trust	(331)
Decrease in deferred tax expense	(363)
Increase in comprehensive income	(2,477)

	October 1, 2010	October 1, 2011
	$	$
CURRENT DEFERRED TAX ASSETS:		
Balance under Canadian GAAP	1,030	2,109
Reclassification to non-current	(1,030)	(2,109)
Balance under IFRS	–	–
NON-CURRENT DEFERRED TAX ASSETS:		
Balance under Canadian GAAP	–	–
IFRS ADJUSTMENTS:		
Reclassification to non-current	1,030	2,109
Reclassification of assets and liabilities	10,253	4,844
Recognition of actuarial losses	9,339	11,887
Provisions	1,117	1,117
Total IFRS adjustments	21,739	19,957
Balance under IFRS	21,739	19,957
NON-CURRENT DEFERRED TAX LIABILITIES:		
Balance under Canadian GAAP	(17,542)	(22,849)
IFRS ADJUSTMENTS:		
Reclassification of assets and liabilities	(10,253)	(4,844)
Components	(542)	(648)
Non-capitalizable element of costs under IFRS	230	209
Capitalizable element of costs under IFRS	–	(98)
Asset retirement obligations	(1,117)	(931)
Undistributed tax rate of an income trust	(331)	–
Total IFRS adjustments	(12,013)	(6,312)
Balance under IFRS	(29,555)	(29,161)

32. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

f) Income taxes recoverable/payable

Under IAS 1, the Company must present the income taxes recoverable/payable. The impact arising is summarized as follows:

	October 1, 2010	October 1, 2011
	$	$
TRADE AND OTHER RECEIVABLES:		
Balance under Canadian GAAP	58,231	57,848
Reclassification from trade and other receivables	(1,513)	–
Balance under IFRS	56,718	57,848
INCOME TAXES RECOVERABLE:		
Balance under Canadian GAAP	–	–
Reclassification to income taxes recoverable	1,513	–
Balance under IFRS	1,513	–
TRADE AND OTHER PAYABLES:		
Balance under Canadian GAAP	(42,716)	(59,195)
Reclassification to income taxes payable	–	7,177
Balance under IFRS	(42,716)	(52,018)
INCOME TAXES PAYABLE:		
Balance under Canadian GAAP	–	–
Reclassification from trade and other payables	–	(7,177)
Balance under IFRS	–	(7,177)

g) Share capital

Prior to the transition date and under the income trust structure, the Company distributed return of capital to its Unitholders. Under Canadian GAAP, the return of capital was recognized as a reduction of share capital. Due to the unique nature of the trust units under IFRS, the return of capital should be recognized in deficit.

The impact arising from the above is summarized as follows:

	October 1, 2010	October 1, 2011
	$	$
SHARE CAPITAL:		
Balance under Canadian GAAP	(560,543)	(90,679)
Reclassification due to nature of trust units	(14,863)	(14,863)
Balance under IFRS	(575,406)	(105,542)

h) Contributed surplus

Under the Company's normal course issuer bid ("NCIB") 1,805,600 trust units were repurchased by the Company prior to the transition date. Under Canadian GAAP, an amount paid below the issue price was recognized as contributed surplus. Due to the unique nature of trust units under IFRS and under the income trust structure, the amount paid below the issue price should be recognized in deficit.

In addition, as discussed in note 32 d), the fair value of the conversion option on January 1, 2011 was reclassified as contributed surplus as of that date.

The impact arising from the above is summarized as follows:

	October 1, 2010	October 1, 2011
	$	$
Contributed surplus:		
Balance under Canadian GAAP	(4,683)	(204,677)
IFRS adjustments:		
Reclassification due to nature of trust units	4,683	4,683
Fair value of conversion option	–	(3,916)
Total IFRS adjustments	4,683	767
Balance under IFRS	–	(203,910)

i) Deficit

The impact arising from the above adjustments (shown net of income taxes) is summarized as follows:

	October 1, 2010	October 1, 2011
	$	$
Balance under Canadian GAAP	292,418	4,447
IFRS adjustments:		
Components	(1,568)	(1,873)
Non-capitalizable element of costs under IFRS	665	605
Capitalizable element of costs under IFRS	–	(283)
Asset retirement obligations	–	538
Employee benefits	26,959	34,350
Derivative financial instruments	134	3,916
Undistributed tax rate of an income trust	331	–
Reclassification due to nature of trust units	10,180	10,180
Total IFRS adjustments	36,701	47,433
Balance under IFRS	329,119	51,880

Rogers Sugar Inc.
www.rogerssugar.com
www.lantic.ca

Management Office
4026 Notre-Dame Street East
Montréal, Québec
H1W 2K3

LANTIC INC.

Corporate information – Management

OFFICERS

Edward Makin,
President and Chief Executive Officer

Jacques Dussault,
Senior Vice-President Human Resources

Daniel L. Lafrance,
Senior Vice-President Finance
and Procurement,
Chief Financial Officer and Secretary

Robert Copeland,
Vice-President Operations

Michael Walton,
Vice-President of Sales and Marketing

Manon Lacroix,
Director of Finance

MANAGEMENT OFFICE

4026 Notre-Dame Street East
Montréal, Québec
H1W 2K3
Tel: (514) 527-8686
Fax-General: (514) 527-8406
Fax-Administration: (514) 527-1610

PLANT ADDRESSES

123 Rogers Street,
Vancouver, British Columbia V6B 3N2
General Manager: Charles Dickens
Tel: (604) 253-1131
Fax: 604) 253-2517

5405 – 64th Street
Taber, Alberta
T1G 2C4
General Manager: Doug Emek
Tel: (403) 223-3535
Fax: (403) 223-9699

4026 Notre-Dame St. East
Montréal, Québec H1W 2K3
Operations Manager: Claude Cholette
Tel: (514) 527-8686
Fax-Gen.: (514) 527-8406

DIRECTORS OF LANTIC INC.

A. Stuart Belkin,
Chairman & CEO
Belkorp Industries Inc.

Michel P. Desbiens, (1)(2)
Consultant

Michael Heskin, (2)
Vice-President Finance and CFO
Belkorp Industries Inc.

Donald G. Jewell,
Managing Partner
RIO Industrial

Edward Makin,
President and Chief Executive Officer,
Lantic Inc.

M. Dallas H. Ross, (1)(2)
Partner
Kinetic Capital Limited Partnership

AUDITORS

KPMG LLP
Montréal, Québec

(1) Rogers Sugar Inc. Nominees

(2) Audit Committee Members

Rogers Sugar Inc.
www.rogerssugar.com
www.lantic.ca

Management Office
4026 Notre-Dame Street East
Montréal, Québec
H1W 2K3